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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

TOM FORESE – Chairman
BOB BURNS
DOUG LITTLE
ANDY TOBIN
BOYD W. DUNN

SEP 19 2017

DOCKETED BY

IN THE MATTER OF THE NOTICE OF
PROPOSED AMENDMENTS TO THE ARIZONA
UNIVERSAL SERVICE FUND.

DOCKET NO. RT-00000H-97-0137

DECISION NO. 76376

OPINION AND ORDER

DATE OF ORAL PROCEEDING: August 14, 2017

PLACE OF ORAL PROCEEDING: Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE: Sarah N. Harpring

APPEARANCES: Maureen Scott, Deputy Chief of Litigation/Appeals,
Legal Division, on behalf of the Utilities Division of the
Arizona Corporation Commission.

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BY THE COMMISSION:

This matter concerns rulemaking to modify Arizona Administrative Code (“A.A.C.”) Title 14, Chapter 2, Article 12, by renumbering the existing rules for the Arizona Universal Service Fund (“AUSF”) into a new Part A to Article 12 and adopting, within a new Part B to the Article, new rules allowing collection of additional AUSF surcharges to fund the E-rate Broadband Special Construction Project Matching Fund Program (“State Matching Fund Program”). The State Matching Fund Program makes available state matching funds for special construction projects involving the deployment of broadband to schools and libraries in Arizona so that those schools and libraries may become eligible for and obtain federal matching funds under the Federal Communications Commission (“FCC”) Universal Service Fund’s Schools and Libraries Program. The Commission originally adopted rules for the State Matching Fund Program through a Notice of Emergency Rulemaking that became effective on March 29, 2017. On July 14, 2017, the Commission had a Notice of Proposed Rulemaking published in the *Arizona Administrative Register* (“AAR”) to propose adoption of the same rules through regular rulemaking. This Decision includes the Commission’s final action regarding that regular rulemaking.

DISCUSSION**I. Background****A. AUSF**

The AUSF was initially established in Decision No. 56639 (September 22, 1989) as a “ratemaking device [that would] enable the Commission to assure that the high cost of providing wireline local exchange service in rural areas [would] not diminish the availability of affordable service.” (Decision No. 56639 at 32, 36.) The Commission required that the AUSF be funded by payments from all public service corporations engaged in transmitting messages or furnishing telephone services to the public as interexchange or local exchange common carriers within Arizona. (*Id.* at 36.) Subsequently, in Decision No. 59124 (June 23, 1995), the Commission adopted A.A.C. R14-2-1113, requiring the Commission to establish the AUSF, which was to be structured and administered as required by the Commission. The Commission adopted A.A.C. R14-2-1113 without Attorney General approval under A.R.S. § 41-1044, pursuant to its exclusive and plenary ratemaking

1 authority granted by Article 15, § 3 of the Arizona Constitution, as permitted under *State ex. Rel. Corbin*
 2 *v. Arizona Corporation Commission*, 174 Ariz. 216, 848 P.2d 301 (Ariz. Ct. App. 1992). The
 3 Commission's authority to do so was expressly recognized in *U S West Communications, Inc. v.*
 4 *Arizona Corporation Commission*, 197 Ariz. 16, 24, 3 P.3d 936, 944 (Ariz. Ct. App. 1999), which
 5 invalidated several other rules adopted in Decision No. 59124 because the rules had not been approved
 6 by the Attorney General under A.R.S. § 41-1044. (*See* 197 Ariz. at 25-26, 3 P.3d at 945-46.)

7 The Commission adopted a full set of AUSF rules, located in A.A.C. Title 14, Chapter 2, Article
 8 12 (now in Part A), in Decision No. 59623 (April 24, 1996), to comply with A.A.C. R14-2-1113.
 9 (Decision No. 59623 at 2.) The AUSF rules were adopted without Attorney General approval under
 10 A.R.S. § 41-1044, as rules authorized by the Commission's exclusive and plenary ratemaking authority
 11 granted by Article 15, § 3 of the Arizona Constitution. (*See* Decision No. 59623 (April 24, 1996); *see*
 12 *also U S West Communications, Inc. v. Arizona Corporation Commission*, 197 Ariz. 16, 24, 3 P.3d
 13 936, 944 (Ariz. Ct. App. 1999).) The AUSF rules require "all telecommunications service providers
 14 that interconnect to the public switched network" to fund the AUSF. (A.A.C. R14-2-1204(A).)

15 B. FCC E-rate Program

16 Federal law (47 U.S.C. § 254) establishes, *inter alia*, that all regions of the U.S. should have
 17 access to advanced telecommunications and information services at just, reasonable, and affordable
 18 rates; that elementary and secondary schools and classrooms and libraries should have access to
 19 advanced telecommunications services; and that the FCC is authorized to designate additional services
 20 for which elementary and secondary schools and libraries may receive federal universal service fund
 21 support. (*See* 47 U.S.C. §§ 254(b)(1), (2), and (6); (c)(1) and (3); and (h)(1)(B) and (h)(2).) Further,
 22 47 U.S.C. § 254 requires the FCC to establish competitively neutral rules to enhance access to advanced
 23 telecommunications and information services for all public and nonprofit elementary and secondary
 24 school classrooms, health care providers, and libraries and to define the circumstances under which a
 25 telecommunications carrier may be required to connect its network to these users. (47 U.S.C. §
 26 254(h)(2).) The statute allows a state to adopt regulations regarding universal service, provided that
 27 the state rules are not inconsistent with the FCC's rules to preserve and advance universal service and
 28 that any additional definitions and standards adopted in the state rules to preserve and advance universal

1 service within the state are supported by “additional specific, predictable, and sufficient mechanisms .
 2 . . that do not rely on or burden Federal universal service support mechanisms.” (47 U.S.C. § 254(f).)

3 In 1997, the FCC adopted rules for administration of its program to enhance access to advanced
 4 telecommunications and information services for schools and libraries (“E-rate Program”) in Title 47,
 5 Chapter 1, Part 54, Subpart F of the Code of Federal Regulations (“CFR”). In July and December
 6 2014, the FCC issued two separate Orders revising those rules to modernize the E-rate program for
 7 schools and libraries: (1) *Modernizing the E-Rate Program for Schools and Libraries*, WC Docket No.
 8 13-184, Report and Order and Further Notice of Proposed Rulemaking, 29 FCC Rcd 8870 (July 2014)
 9 (“First E-rate Modernization Order” or “EMO1”); and (2) *Modernizing the E-rate Program for Schools*
 10 *and Libraries, Connect America Fund*, WC Docket Nos. 13-184 and 10-90, Second Report and Order
 11 and Order on Reconsideration, 29 FCC Rcd. 15538 (December 2014) (“Second E-rate Modernization
 12 Order” or “EMO2”) (collectively “E-rate Modernization Orders” or “EMOs”).

13 In EMO1, the FCC explained the E-rate Program as follows:

14 10. The E-rate program was authorized by Congress as part of
 15 the Telecommunications Act of 1996 (the Telecommunications Act), and
 16 created by the [FCC] in 1997 to, among other things, enhance, to the extent
 17 technically feasible and economically reasonable, access to advanced
 18 telecommunications and information services for all public and nonprofit
 19 elementary and secondary schools and libraries. Since its inception, the E-
 20 rate program has provided support for connectivity to schools and libraries
 21 and connectivity within schools and libraries, and it has been instrumental
 22 in providing students and library patrons access to essential communication
 23 services. When the Telecommunications Act was passed, only 14 percent
 24 of classrooms had access to the Internet, and most schools with Internet
 25 access (74 percent) used dial-up Internet access. By 2005, nearly all schools
 26 had access to the Internet, and 94 percent of all instructional classrooms had
 27 Internet access. Similarly, by 2006, nearly all public libraries were
 28 connected to the Internet, and 98 percent of them offered public Internet
 access.

11. There are currently five categories of services for which E-
 rate funding is available to eligible schools, libraries and consortia:
 telecommunications, telecommunications services, Internet access, internal
 connections, and basic maintenance of internal connections. Within those
 five broad categories, the [FCC] has specified services and products
 including, but not limited to, voice services, Internet access services, and
 digital transmission services, that are eligible for E-rate support. The [FCC]
 publishes an eligible services list (ESL) each funding year for applicants to
 use as a tool in determining what services and products are eligible for E-

rate support.

12. Eligible schools, libraries and consortia of schools and libraries apply for E-rate support every funding year. Each funding year runs from July 1 through June 30. Funding year 2015, for example, will run from July 1, 2015 through June 30, 2016. The E-rate program is administered by the Universal Service Administrative Company (USAC). Traditionally, E-rate applicants are required to seek competitive bids for the services they seek to purchase using E-rate funds. Applicants must submit an FCC Form 470 for posting on USAC's website, which requests bids for E-rate eligible services. The applicant must describe the requested services with sufficient specificity to enable potential service providers to submit bids for such services. Applicants must then carefully consider all submitted bids, and the price of eligible products and services must be the primary factor in selecting the winning bid. After entering into a contract for E-rate eligible services, applicants request support by submitting an FCC Form 471 application to USAC.

13. Under the [FCC's] current rules, eligible schools and libraries may receive discounts ranging from 20 percent to 90 percent of the pre-discount price of eligible services, based on indicators of need. Specifically, as set forth . . . in [FCC] rules, schools and libraries in areas with higher percentages of students eligible for free or reduced price lunch through the [National School Lunch Program] or an alternative mechanism qualify for higher discounts for eligible services than applicants with low levels of eligibility for such programs. For example, the most disadvantaged schools, where at least 75 percent of students are eligible for free or reduced price school lunch, receive a 90 percent discount on eligible services, and thus pay only 10 percent of the cost of those services. Libraries receive funding at the discount level of the school district in which they are located. Schools and libraries located in rural areas also may receive an additional 5 to 10 percent discount compared to urban areas.¹

In EMO1, *inter alia*, the FCC made changes to focus E-rate support on telecommunications and information services (including associated inside wiring) necessary to support high-speed broadband to and within schools and libraries. (EMO1 at 8872-73, 8896.) The FCC adopted the State Education Technology Directors Association's ("SETDA's") target recommendations for school² Internet access—at least 100 Mbps per 1,000 users (students and staff) in the short term and 1 Gbps per 1,000 users in the long term. (EMO1 at 8885.) The FCC also adopted the American Library Association's ("ALA's") target recommendations for library broadband speeds—at least 100 Mbps for libraries serving fewer than 50,000 people and at least 1 Gbps for libraries serving 50,000 or more people.

¹ EMO1 at 8875-76 (footnotes omitted).

² School Internet access is measured at the district level except for schools that are not members of a district. (EMO1 at 8885.)

1 (EMO1 at 8886.) For Wide Area Networking (“WAN”) or “Last Mile” connections, the FCC adopted
2 SEDTA’s long-term WAN target of 10 Gbps per 1,000 students as a “scalable capacity,” stating that a
3 1 Gbps fiber connection can usually be scaled to 10 Gbps with upgraded networking equipment.
4 (EMO1 at 8886-87.) The FCC did not adopt a WAN connectivity target for libraries. (EMO1 at 8888.)
5 The FCC also did not adopt a sufficiency standard for internal connectivity (*e.g.*, Wi-Fi). (EMO1 at
6 8888-89.) To be consistent with its revised focus on broadband access, the FCC eliminated its priority
7 funding categories and instead adopted new categories of services, designating as “category one” those
8 services necessary to support broadband connectivity to schools and libraries and as “category two”
9 those services needed for broadband connectivity within schools and libraries. (EMO1 at 8898-99.)
10 The FCC also established an ongoing annual funding target of \$1 billion for category two services, to
11 ensure greater access to E-rate support for Wi-Fi networks, and increased (from 10 percent to 15
12 percent) the minimum contribution applicants were required to make toward E-rate-supported category
13 two purchases. (EMO1 at 8899, 8901.) Beginning with funding year 2015, the FCC generally limited
14 E-rate support for internal connections to cover only those broadband distribution services and
15 equipment necessary to deliver broadband to students and library patrons—such as routers, switches,
16 wireless access points, internal cabling, etc.—and eliminated E-rate support for a list of former priority
17 two components. (EMO1 at 8917.) For funding years 2015 and 2016, the FCC also specifically
18 provided support for basic maintenance services for E-rate eligible equipment and services, managed
19 internal broadband services (“managed Wi-Fi”), and caching functionality. (EMO1 at 8918-21.) The
20 FCC stated that without additional FCC action, the support for basic maintenance, managed internal
21 broadband services, and caching functionality would be available in funding year 2017 and subsequent
22 funding years only to applicants that received support in funding years 2015 and 2016 and that were
23 operating under a five-year applicant budget. (EMO1 at 8921.) The FCC also gave permission for
24 applicants to seek support for category two non-recurring services purchased on or after April 1, rather
25 than only within the funding year beginning on July 1. (EMO1 at 8921.) Further, to ensure that E-rate
26 funds would be spent primarily to support high-speed broadband, the FCC announced that it was
27 phasing down support for voice services and, effective with funding year 2015, eliminating support for
28 specific legacy services that do not facilitate high-speed broadband. (EMO1 at 8922, 8928.)

1 In EMO2, the FCC characterized the reforms adopted in EMO1 as insufficient to ensure that
 2 schools and libraries are able to purchase affordable high-speed broadband services, asserting that only
 3 an estimated 65 percent of schools had access to high-speed broadband scalable to the FCC
 4 connectivity target, that rural schools had less access than urban schools, that rural schools had issues
 5 both with the high cost of connectivity and the unavailability of providers willing to provide high-speed
 6 broadband services, and that 45 percent of school district leaders believed that their Wi-Fi networks
 7 lacked the capacity to move to a one-to-one student-to-device deployment. (EMO2 at 15540.) The
 8 FCC stated that libraries had even less connectivity, with half of public libraries reporting connections
 9 of less than 10 Mbps (versus the ALA’S 100 Mbps and 1 Gbps targets). (Id.) In EMO2, in response
 10 to an “overwhelming need for more and greater high-speed connections to schools and libraries,” the
 11 FCC took the following additional steps (among others) to support achievement of the EMO1
 12 connectivity targets for eligible schools and libraries:

- 13 • Equalized treatment of lit fiber and dark fiber, with safeguards, to provide another cost-
 14 effective option for high-speed broadband;
- 15 • Allowed self-construction of high-speed broadband facilities by schools and libraries for
 16 which it is the most cost-effective option, with safeguards;
- 17 • Provided up to an additional 10 percent in category one funding to match state funding for
 18 special construction charges for last-mile facilities to support high-speed broadband; and
- 19 • Increased the E-rate funding cap to \$3.9 billion to meet the long-term needs of the E-rate
 20 Program.³

21 Per EMO2, the additional category one funding, to be provided beginning in funding year 2016
 22 as a dollar-to-dollar match to state funding provided for special construction charges to connect schools
 23 and libraries to high-speed broadband services meeting the EMO1 long-term capacity targets, is
 24 intended “to break down barriers to high-speed broadband access” in unserved areas because the FCC
 25 recognizes that capital costs are a major barrier to connectivity. (EMO2 at 15559-61.) The FCC
 26 explained that the additional state and E-rate Program funding reduces the money owed by an applicant
 27

28 ³ EMO2 at 15541, 15549-62, 15569-71.

1 for what would be the applicant's non-discount share of special construction costs. (EMO2 at 15561.)
 2 The FCC acknowledged that the additional matching funds could completely eliminate an applicant's
 3 obligation to pay for special construction costs. (EMO2 at 15562.)

4 The FCC rules for the E-rate Program, as amended through EMO1 and EMO2, state that when
 5 a state government provides funding for special construction charges for a broadband connection to a
 6 school or library, USAC is required to match the state's contribution on a dollar-for-dollar basis up to
 7 an additional 10-percent discount, provided that the total support from the federal E-rate Program and
 8 the state do not exceed 100 percent. (47 CFR § 54.505(f)(1).) The rules generally require USAC to
 9 distribute category one funding by discount rate, with top priority given to schools and libraries eligible
 10 for 90-percent discounts and other schools and libraries to be funded by descending discount rate until
 11 no funds remain. (47 CFR § 54.507(f)(1).)

12 The federal E-rate Program filing window for funding year 2017 was open from February 27
 13 to May 11, 2017.⁴ Applicants were required to submit FCC Form 470 to USAC, requesting bids for
 14 service, at least 28 days before the closing date for the filing window (*i.e.*, by April 13, 2017), in order
 15 for an FCC Form 471, selecting a service provider from among the bidders, to be certified by midnight
 16 on May 11, 2017.⁵ After USAC commits funds to an applicant through a Funding Commitment
 17 Decision Letter ("FCDL"), and the service provider begins delivering services to the applicant, the
 18 applicant must submit FCC Form 486 to confirm that services have begun and to be able to submit
 19 invoices to USAC.⁶ An applicant can either have the service provider submit invoices to USAC directly
 20 for the discount share and bill the applicant for only the non-discounted share of the total costs or pay
 21 the service provider in full and bill USAC for reimbursement of the discount share.⁷

22 USAC has identified the State Matching Fund Program, created through the emergency rules
 23 adopted in March 2017 in A.A.C. Title 14, Chapter 2, Part B, as a source of funding that qualifies as
 24 matching funds for purposes of the federal E-rate Program.⁸

25 ⁴ <http://usac.org/sl/tools/apply-to-erate/window-2017.aspx> (accessed August 14, 2017).

26 ⁵ *Id.*

26 ⁶ <http://www.usac.org/sl/tools/apply-to-erate/default.aspx> (accessed August 14, 2017).

27 ⁷ *Id.*

27 ⁸ <http://usac.org/sl/applicants/beforeyoubegin/state-matching-provision.aspx> (accessed August 14, 2017). USAC
 28 verifies that matching funds come from an eligible source, are for the funding year in question, and do not create a conflict
 with E-rate Program competitive bidding rules. (*Id.*)

1 C. Need for Additional High-Speed Broadband in Arizona

2 Arizona has 214 school districts with 1,470 schools and 929,000 students, excluding charter
3 schools and Bureau of Indian Education schools.⁹ Although the majority (71 percent) of Arizona
4 school districts are located in rural or small-town areas, those rural or small-town school districts serve
5 only 17 percent of Arizona students. (ESH PP.) EducationSuperHighway asserts that the primary
6 barrier to connectivity in predominantly rural schools is the high one-time cost of construction (which
7 can range from \$75,000 to more than \$450,000 per school at a national level). (ESH PP.) According
8 to EducationSuperHighway, 55 Arizona school districts currently lack bandwidth per student meeting
9 the minimum 100 Kbps necessary for digital learning in the classroom; 54 Arizona school districts
10 report insufficient Wi-Fi coverage; and 110 Arizona school districts access the Internet through non-
11 fiber technology, which is not scalable to meet the growing bandwidth needs for digital learning.¹⁰ The
12 Arizona Department of Education (“ADOE”) and EducationSuperHighway estimate that bandwidth
13 needs are growing 50 percent per year in schools using digital learning because K-12 schools are
14 increasing their use of digital learning and experiencing increases in the number of connected devices.¹¹

15 **II. Procedural History**

16 On January 9, 2017, Commissioner Andy Tobin filed a letter stating that affordable high-speed
17 internet service is unavailable to schools and libraries in some areas of Arizona, mostly rural, and
18 proposing that the Commission partner with Governor Doug Ducey, Superintendent of Public
19 Instruction Diane Douglas, interested rural public schools and libraries, and Arizona’s
20 telecommunications industry to bring high-speed internet service to schools and libraries that lack such
21 service. Commissioner Tobin proposed that the Commission consider establishing a new program
22 under the AUSF to provide a portion of the state matching funds needed to allow Arizona to receive
23 the maximum in federal funds available under the EMOs. Commissioner Tobin asserted that the

24 ⁹ PowerPoint Presentation by EducationSuperHighway (presented January 30, 2017) (“ESH PP”).
25 EducationSuperHighway is a privately funded non-profit organization with a mission of upgrading Internet access in every
26 public school classroom in America so that all students can take advantage of digital learning. (ESH PP.) The PowerPoint
27 presentations referenced herein were filed in the docket for this matter by Commissioner Andy Tobin on January 30, 2017,
28 and are available on www.azcc.gov using the eDocket function.

¹⁰ EducationSuperHighway website interactive Arizona map accessed August 8, 2017, at
<http://www.compareandconnectk12.org/2016/AZ>.

¹¹ PowerPoint Presentation by Milan Eaton, State E-rate Director for Schools, Arizona Department of Education
(presented January 30, 2017) (“ADOE PP”); ESH PP.

1 Commission would need to undertake rulemaking immediately to revise the AUSF rules to allow AUSF
2 funds to be used to provide state matching funds for broadband construction under the EMOs.

3 On January 11, 2017, the Commission's Legal Division ("Legal"), on behalf of the
4 Commission's Utilities Division ("Staff"), filed Staff's Notice of Filing Sample Order, for
5 consideration by the Commission.

6 On January 11, 2017, at a Staff Open Meeting, Superintendent Douglas spoke to support
7 Arizona's initiative to extend broadband internet access to Arizona public schools that do not currently
8 have such access, and the Commission discussed and adopted Staff's Sample Order.

9 On January 13, 2017, the Commission issued Decision No. 75919, requiring Staff to draft
10 appropriate rules to amend the AUSF to generate state matching funds for special construction projects
11 under the EMOs. The Commission further required Staff to hold a technical workshop with interested
12 persons to discuss the draft rules and other issues related to implementation of a state matching fund
13 program and required that telecommunications providers provide notice of this matter to their
14 customers in February 2017.

15 On January 19, 2017, Staff filed a Request for Procedural Order, requesting issuance of a
16 Procedural Order requiring each telecommunications carrier that contributes to the AUSF to provide
17 specified notice to its customers in a manner practicable under the circumstances.

18 On January 20, 2017, Staff filed a letter to stakeholders including a tentative agenda for a
19 workshop to be held on January 30, 2017, as well as a copy of draft rules. The letter requested that
20 initial comments on the draft rules be filed by January 27, 2017, and reply comments by February 7,
21 2017; announced that a second workshop may be held; and provided instructions for filing comments
22 and consenting to email service.

23 On January 23, 2017, a Procedural Order Requiring Notice & Regarding Consent to Email
24 Service was issued. The Procedural Order required each telecommunications carrier doing business in
25 Arizona and contributing to the AUSF to provide public notice of this matter, by February 14, 2017,
26 using a modified version of Staff's proposed notice and by at least one of the following methods: (1)
27 mailing notice to the carrier's customers as a bill insert; (2) having the notice published in a newspaper
28 of general or local circulation in its service territory; (3) including the notice in a newsletter the carrier

1 sends to customers; (3) emailing the notice to the carrier's customers; or (4) posting the notice on the
2 carrier's website, in an easily accessible and legible form, by including in a conspicuous area of the
3 website homepage either a descriptive link to the notice or the full notice itself. The Procedural Order
4 required a carrier unable to meet any of the listed notice options to contact Staff and provide notice
5 using a method acceptable to Staff. The Procedural Order further required each telecommunications
6 carrier doing business in Arizona and contributing to the AUSF to file a certification of notice by March
7 1, 2017, and provided instructions for interested persons to consent to email service.

8 On January 24, 2017, a Notice of Appearance and a Consent to Email Service were filed by
9 counsel for Table Top Telephone Company, Inc. ("Table Top"); Copper Valley Telephone Company
10 ("Copper Valley"); Valley Telephone Cooperative ("VTC"); South Central Utah Telephone
11 Association, Inc. ("SCUTA"); Southwestern Telephone Company ("STC"); and Arizona Telephone
12 Company ("ATC"). A verification email was sent to the Hearing Division on the same date.

13 Also on January 24, 2017, a Consent to Email Service was filed by counsel for Cox Arizona
14 Telcom, LLC ("Cox"). A verification email was sent to the Hearing Division the next day.

15 On January 25, 2017, a Consent to Email Service was filed by counsel for Qwest Corporation
16 dba CenturyLink QC ("CenturyLink"). A verification email was sent to the Hearing Division on the
17 same date.

18 On January 26, 2017, Staff filed Staff's Request for Additions to Consent to Email Service List
19 ("Staff's Request"), indicating additional Staff email addresses.

20 On January 27, 2017, comments on the draft rules were filed by Smith Bagley, Inc. dba Cellular
21 One of North East Arizona ("Cellular One"), Cox, and CenturyLink.

22 On January 27, 2017, a Consent to Email Service was filed by counsel for Cellular One. A
23 verification email was sent to the Hearing Division on February 6, 2017.

24 Also on January 27, 2017, AT&T Inc.'s Consent to Email Service was filed by counsel for
25 AT&T Inc. ("AT&T"). A verification email was sent to the Hearing Division on January 30, 2017.

26 On January 30, 2017, the Commission held a Special Open Meeting workshop to obtain
27 information from interested persons and discuss the proposed rules, processes, and comments received.
28 The workshop included presentations from EducationSuperHighway; ADOE's State E-rate Director,

1 Milan Eaton; Yavapai County School Superintendent Tim Carter and Yavapai County's Education
2 Technology Consortium Executive Director; an E-rate consultant; the University of Arizona
3 Agriculture, Life and Veterinary Sciences, and Cooperative Extension's Director of Cyber and
4 Communications Technologies; the University of Arizona's Arizona Telemedicine Program Director
5 and Information Technology Associate Director; Zayo Group; CenturyLink; Frontier; AT&T; and
6 Solix, the AUSF Administrator. Opportunity for comments was also provided.

7 Also on January 30, 2017, Commissioner Tobin filed a copy of the workshop agenda and the
8 prepared materials presented at the workshop.

9 On January 31, 2017, comments of Samantha Parker, supporting the AUSF rulemaking, were
10 filed by Commissioner Tobin's office, to which they had been emailed directly.

11 On January 31, 2017, Securus Technologies, Inc. ("Securus") filed proof of compliance with
12 Decision No. 75919, indicating that Securus had posted notice on the main page of its website. The
13 notice did not conform to the Procedural Order of January 23, 2017.

14 On February 1, 2017, a Procedural Order Approving Consent to Email Service was issued,
15 approving consent to email service for Table Top, Copper Valley, VTC, SCUTA, STC, ATC, Cox,
16 CenturyLink, and AT&T. The Procedural Order also granted Staff's Request and announced that the
17 Commission would no longer serve a Procedural Order upon an interested person unless the Procedural
18 Order imposed a requirement upon that interested person, responded to a Consent to Email Service
19 filed for that interested person, provided notice of formal rulemaking activity, or provided other
20 information that the Commission desired for the interested person to receive.

21 On February 2, 2017, a Consent to Email Service was filed by counsel for McLeodUSA
22 Telecommunications Services, LLC ("McLeodUSA"); PAETEC Communications, LLC
23 ("PAETEC"); Talk America, LLC ("Talk America"); and Windstream Communications, LLC
24 ("Windstream"). A verification email had been sent to the Hearing Division on January 31, 2017.

25 On February 6, 2017, Securus filed a revised proof of compliance including a copy of a notice
26 conforming to the Procedural Order of January 23, 2017.

27 On February 7, 2017, CenturyLink, Cox, and AT&T filed responsive comments.

28 On February 7, 2017, a Procedural Order Approving Consent to Email Service was issued,

1 approving consent to email service for Cellular One, McLeodUSA, PAETEC, Talk America, and
2 Windstream.

3 On February 8, 2017, ATC, STC, Table Top, VTC, and Copper Valley filed responsive
4 comments.

5 On February 13, 2017, Gila Local Exchange Carrier dba Alluvion Communication, Inc.
6 ("Alluvion") filed proof of compliance with Decision No. 75919, stating that Alluvion had posted
7 notice on its main webpage.

8 Also on February 13, 2017, Telequality Communications, Inc. filed a letter stating that it had
9 provided notice to its Arizona customers along with its February 1, 2017, invoices.

10 On February 15, 2017, Airespring, Inc. filed a letter stating that it had provided notice to its
11 customers along with its February 1, 2017, billing.

12 On February 15, 2017, a consultant for Onvoy, LLC; Wide Voice, LLC; Broadvox-CLEC,
13 LLC; and Custom Network Solutions, Inc. filed letters stating that Onvoy, LLC; Wide Voice, LLC;
14 Broadvox-CLEC, LLC; and Custom Network Solutions, Inc. have no retail customers in Arizona and
15 do not contribute to the AUSF and thus were not required to provide notice.

16 On February 15, 2017, Staff filed a letter to stakeholders including a revised draft of the AUSF
17 rules; requesting that written comments on the revised draft rules be filed by February 28, 2017;
18 announcing that another workshop would be held on a date to be announced; and announcing that Staff
19 expected the Commission to consider emergency adoption of the AUSF rules at its March Open
20 Meeting.

21 On February 16, 2017, 800 Response Information Services, LLC filed proof of compliance with
22 Decision No. 75919, stating that it had provided notice to each of its 25 active Arizona customers as
23 an insert with its February 2, 2017, bills.

24 On February 16, 2017, counsel for Velocity The Greatest Phone Company Ever, Inc.
25 ("Velocity") filed proof of compliance with Decision No. 75919, stating that notice had been provided
26 to Velocity's Arizona customers along with its January billing/invoices.

27 On February 16, 2017, a consultant for YMax Communications Corp. and Voxbeam
28 Telecommunications Inc. filed letters stating that YMax Communications Corp. and Voxbeam

1 Telecommunications Inc. have no retail customers in Arizona and do not contribute to the AUSF and
2 thus were not required to provide notice.

3 On February 16, 2017, a consultant for Operator Service Company, LLC filed a letter stating
4 that Operator Service Company, LLC had provided notice to its customers along with monthly invoices
5 mailed prior to February 14, 2017.

6 On February 16, 2017, a consultant for Legacy Long Distance International, Inc. filed a letter
7 stating that Legacy Long Distance International, Inc. had provided notice to its customers via email
8 sent prior to February 14, 2017, and through posting notice on its website.

9 On February 16, 2017, a consultant for Bandwidth.com CLEC, LLC filed a letter stating that
10 Bandwidth.com CLEC, LLC has no retail customers in Arizona and does not contribute to the AUSF
11 and thus was not required to provide notice.

12 On February 17, 2017, a consultant for Leap Frog Telecom, LLC dba Voce Telecom ("Voce
13 Telecom") filed a letter stating that Voce Telecom had provided notice to its customers by posting
14 notice on its website.

15 On February 17, 2017, a consultant for Pay Tel Communications, Inc. filed a letter stating that
16 Pay Tel Communications, Inc. has no retail customers in Arizona and does not contribute to the AUSF
17 and thus was not required to provide notice.

18 On February 17, 2017, counsel for SBC Long Distance LLC ("SBCLD"); AT&T; and Teleport
19 Communications of America, LLC ("Teleport") filed a letter stating that SBCLD, AT&T, and Teleport
20 had provided notice to their Arizona customers who are assessed AUSF surcharges by posting notices
21 on their specific webpages and would be providing each customer a bill message concerning the notice
22 in February (SBCLD) and March (AT&T and Teleport) billing invoices.

23 On February 17, 2017, counsel for AT&T Mobility and Cricket Wireless, LLC ("AT&T
24 wireless entities") filed a letter stating that the AT&T wireless entities contribute to the AUSF based
25 on the number of interconnecting trunks obtained from the local access provider as required by A.A.C.
26 R14-2-1304(B)(1)(a) and do not collect any AUSF surcharges from their Arizona wireless customers.
27 The AT&T wireless entities asserted that providing notice of a potential AUSF surcharge increase to
28 their Arizona customers would cause confusion, that the situation had been discussed with Staff, and

1 that Staff had agreed to the filing of the letter explaining the situation.

2 On February 17, 2017, a consultant for Legent Comm LLC dba Long Distance Services and
3 dba Long Distance America ("Legent Comm") filed a letter stating that Legent Comm had provided
4 notice to its Arizona customers through a notice posted on its website.

5 On February 17, 2017, Electric Lightwave, LLC; Eschelon Telecom of Arizona, Inc.; and
6 Mountain Telecommunications of Arizona, Inc. jointly filed a letter stating that notice had been
7 provided to all Arizona customers on or before February 3, 2017, via mail or email.

8 On February 17, 2017, a consultant for Bandwidth.com, Inc. ("Bandwidth") filed a letter stating
9 that although Bandwidth had previously collected AUSF fees from some of its customers, it had
10 recently determined that it had not been obligated to contribute to the AUSF due to its status as a
11 nomadic interconnected VoIP provider in Arizona and, thus, was not required to provide notice.

12 On February 21, 2017, Secured Retail Networks, Inc. filed a letter stating that notice had been
13 provided to its Arizona customer via email on February 3, 2017.

14 On February 21, 2017, Broadband Dynamics, LLC filed a letter stating that it had provided
15 notice as a bill insert in its customer's invoice of January 31, 2017.

16 On February 21, 2017, X2Comm, Inc. filed a letter stating that it does not pass along the AUSF
17 fee to its customers and that, per direction from Staff, would not be providing notice to its customers.

18 On February 21, 2017, Spectrotel, Inc. dba OneTouch Communications dba Touch Base
19 Communications filed a letter stating that notice had been mailed to its Arizona customers on or before
20 February 13, 2017.

21 On February 21, 2017, a consultant for WiMacTel, Inc. filed a letter stating that notice had been
22 made available on WiMacTel, Inc.'s website.

23 On February 21, 2017, a consultant for West Safety Communications Inc. fka Intrado
24 Communications Inc. ("West Safety") filed a letter stating that West Safety has no customers in
25 Arizona and does not contribute to the AUSF and, thus, was not required to provide notice.

26 On February 21, 2017, a consultant for Talk America Services, LLC filed a letter stating that
27 Talk America Services, LLC had mailed notice to its Arizona customers on or before February 14,
28 2017.

1 On February 22, 2017, a consultant for Custom Teleconnect, Inc. filed a letter stating that
2 Custom Teleconnect, Inc. had posted notice on the main page of its website on February 14, 2017.

3 On February 22, 2017, a consultant for West Telecom Services, LLC filed a letter stating that
4 West Telecom Services, LLC had emailed notice to its Arizona customers on February 13, 2017.

5 On February 22, 2017, a consultant for ACN Communication Services, LLC filed a letter stating
6 that CAN Communication Services, LLC had provided notice to its customers through a bill insert with
7 the billing of February 5, 2017.

8 On February 23, 2017, TransWorld Network, Corp. ("TWN") filed a letter stating that it had
9 provided notice to its Arizona customers by posting links to the notice in conspicuous areas of the main
10 webpages for its two websites on January 31, 2017.

11 On February 23, 2017, Midvale Telephone Company, Inc. ("Midvale") filed an Affidavit of
12 Customer Notice stating that Midvale had mailed notice to its Arizona customers as a bill insert on or
13 before February 2, 2017.

14 On February 23, 2017, a consultant for Magna5 LLC filed a letter stating that notice had been
15 posted on Magna5 LLC's website, and linked from its main webpage, on February 13, 2017. The
16 consultant also filed a Consent to Email Service for Magna5 LLC. A verification email had been sent
17 to the Hearing Division on February 21, 2017.

18 On February 23, 2017, a consultant for Conterra Ultra Broadband, LLC ("Conterra") filed a
19 letter stating that notice had been posted on Conterra's website on February 21, 2017.

20 On February 24, 2017, Staff filed a Notice of Second AUSF Workshop, to be held on March 2,
21 2017.

22 On February 24, 2017, Level 3 Communications filed a letter on behalf of itself and its affiliates
23 (Broadwing Communications, LLC; Global Crossing Local Services, Inc.; Global Crossing
24 Telecommunications, Inc; WilTel Communications, LLC; and Level 3 Telecom of Arizona, LLC)
25 stating that notice had been mailed to all Arizona customers on or before February 14, 2017.

26 On February 24, 2017, a consultant for Inmate Calling Solutions, LLC ("Inmate Calling") filed
27 a letter stating that Inmate Calling had provided notice through a posting on its website.

28 On February 24, 2017, a consultant to Ionex Communications North, Inc. ("Ionex") filed a letter

1 stating that Ionex had provided notice through a posting on its website.

2 On February 27, 2017, comments opposing the AUSF rulemaking were filed by Kurt
3 Barthelmess, Frank DuPree, and Andrew Gouw.

4 On February 27, 2017, Windstream filed a letter stating that Windstream's customers had,
5 beginning on February 1, 2017, received a bill message directing customers to the required public
6 notice, which was posted on Windstream's website.

7 On February 27, 2017, a consultant for BullsEye Telecom, Inc. ("BullsEye") filed a letter
8 stating that BullsEye had provided notice by February 14, 2017, through a posting on its website.

9 On February 28, 2017, Cox filed a letter stating that it had provided notice to its Arizona
10 customers (in English and Spanish) as a bill insert for the billing running from February 1 to 28, 2017.

11 On February 28, 2017, counsel for T-Mobile West LLC ("T-Mobile") and MetroPCS California
12 LLC ("MetroPCS") filed a letter stating that T-Mobile and MetroPCS would not be providing their
13 customers notice because T-Mobile does not include an AUSF charge on its customer bills, and all of
14 MetroPCS's plans are offered at a set price that includes taxes and regulatory fees. T-Mobile and
15 MetroPCS asserted that providing notice would only create confusion and that Staff had indicated that
16 the letter of explanation should be filed instead.

17 On February 28, 2017, Cox, CenturyLink, and AT&T filed comments concerning the revised
18 draft rules that had been filed on February 15, 2017.

19 On March 1, 2017, counsel for Red Rock Telecommunications, LLC ("Red Rock") filed a
20 Notice of Compliance, Notice of Appearance, and Consent to E-Mail Service, stating that Red Rock
21 had posted a copy of the notice on Red Rock's company website on January 27, 2017. A verification
22 email for the Consent to E-Mail Service was sent to the Hearing Division on March 7, 2017.

23 On March 1, 2017, counsel for Accipiter Communications Incorporated dba Zona
24 Communications ("Zona") filed a Notice of Filing Affidavit of Publication, Notice of Appearance, and
25 Consent to E-Mail Service, stating that Zona had caused a copy of the notice to be published in the
26 *Peoria Times* on February 10, 2017, and had posted a copy of the notice on Zona's website as well. A
27 verification email for the Consent to E-Mail Service was sent to the Hearing Division on March 7,
28 2017.

1 On March 1, 2017, Cellular One filed a letter stating that it had posted notice on its homepage.

2 On March 1, 2017, counsel for Table Top, Copper Valley, VTC, STC, and ATC filed Proofs of
3 Publication stating that ATC and STC had provided customer notice by February 13, 2017, through a
4 bill insert; that Table Top had provided customer notice through a link on the homepage of its website;
5 and that VTC and Copper Valley had provided customer notice through a link on the home page of
6 their shared website. No information was provided regarding SCUTA.

7 On March 1, 2017, Matrix Telecom, LLC ("Matrix") filed a letter with an affidavit stating that
8 Matrix had mailed notice to all of its Arizona customers by February 14, 2017.

9 On March 1, 2017, Working Assets Funding Service, Inc. ("Working Assets") filed a letter
10 stating that Working Assets had provided notice to its customers through a link on its website.

11 On March 1, 2017, counsel for CenturyLink filed an Affidavit of Publication stating that
12 CenturyLink had caused notice to be published in the *Arizona Republic* on February 13, 2017.

13 On March 1, 2017, Time Warner Cable Business LLC and Time Warner Cable Information
14 Services (Arizona), LLC ("Time Warner") filed a letter stating that Time Warner had provided notice
15 to its customers through a bill message included in the bill cycle beginning February 3, 2017.

16 On March 1, 2017, Cellular One filed a letter stating that Cellular One had provided notice to
17 its customers through a link on the homepage of its website.

18 On March 2, 2017, the second AUSF workshop was held at the Commission's offices in
19 Phoenix.

20 On March 2, 2017, comments opposing the AUSF rulemaking were filed by Janet Hubbell and
21 Kathy Blanchard.

22 On March 2, 2017, Mediacom filed a letter on behalf of MCC Telephony of the West, LLC
23 ("MCC") stating that MCC had provided notice to its Arizona customers through a bill message
24 directing customers to a notice posted on MCC's website.

25 On March 2, 2017, Verizon (on behalf of MCI metro Access Transmission Services Corp., MCI
26 Communications Services, Inc., TTI National, Inc., and Verizon Long Distance LLC) filed a letter
27 stating that Verizon had provided notice to Arizona residential and small business customers in their
28 February bills and to Arizona long distance customers and large business customers in February

1 mailings.

2 On March 2, 2017, a consultant for Flash Wireless, LLC filed a letter stating that Flash Wireless,
3 LLC had provided its customers notice through a posting on its webpage.

4 On March 2, 2017, a consultant for Republic Wireless, Inc. filed a letter stating that Republic
5 Wireless, Inc. had sent notice to its Arizona customers via email on or before February 14, 2017.

6 On March 2, 2017, a consultant for Talton Communications, Inc. filed a letter stating that Talton
7 Communications, Inc. had provided notice to its Arizona customers through a notice on its website.

8 On March 2, 2017, a consultant for Budget PrePay, Inc. dba Budget Mobile ("Budget Mobile")
9 filed a letter stating that Budget Mobile had provided notice to its Arizona customers through a notice
10 on its website.

11 On March 2, 2017, a consultant for Global Tel*Link Corporation filed a letter stating that
12 Global Tel*Link Corporation had provided notice to its Arizona customers through a notice on its
13 website.

14 On March 2, 2017, a consultant for Transtelco, Inc. filed a letter stating that Transtelco, Inc.
15 had provided notice to its Arizona customers through a notice on its website.

16 On March 2, 2017, XO Communications Services, LLC ("XO") filed a letter stating that XO
17 had provided notice to its customers through an insert in customers' February bills.

18 On March 2, 2017, Frontier Communications (on behalf of Citizens Telecommunications
19 Company of the White Mountains, Inc.; Citizens Utilities Rural Company, Inc.; Frontier
20 Communications of the Southwest Inc.; and Navajo Communications Company, Inc.) filed a letter
21 stating that notice had been provided to all Arizona customers who are assessed an AUSF surcharge,
22 through a posting on Frontier's website and legal notices published in the *Kingman Standard* on
23 January 25, 2017; the *Parker Pioneer* on February 8, 2017; *Todays News Herald* on February 1, 2017;
24 and the *White Mountain Independent* (both Apache and Navajo editions) on February 3, 2017.

25 On March 2, 2017, a Procedural Order Approving Consent to Email Service was issued,
26 approving consent to email service for Magna5.

27 On March 3, 2017, OPEX Communications, Inc. filed a letter stating that it had mailed its
28 Arizona customers notice on February 15, 2017.

1 On March 3, 2017, Total Holdings, Inc. dba GTC Communications filed a letter stating that it
2 had mailed its Arizona customers notice on February 15, 2017.

3 On March 3, 2017, comments opposing the AUSF rulemaking were filed by Richard Wimmer.

4 On March 6, 2017, Consumer Cellular, Inc. filed a Consent to Email Service and a letter stating
5 that it had provided its Arizona customers notice through emails sent on February 22, 2017, or inserts
6 included with February invoices. A verification email had been sent to the Hearing Division on
7 February 28, 2017.

8 On March 6, 2017, a consultant for Preferred Long Distance, Inc. dba Telplex and dba Telplex
9 Communications ("Telplex") filed a letter stating that it had posted customer notice on its website.
10 Telplex also filed a Consent to Email Service. A verification email was sent to the Hearing Division
11 on the same day.

12 On March 6, 2017, a consultant for DSI-ITI, LLC filed a letter stating that because DSI-ITI,
13 LLC is a wholly owned subsidiary of Global Tel*Link Corporation, all DSI-ITI, LLC customers were
14 directed to Global Tel*Link Corporation's website for notice, which was described in the letter filed
15 for Global Tel*Link Corporation on March 2, 2017.

16 On March 6, 2017, a consultant for MAGICJACK SMB, INC. ("MagicJack") filed a letter
17 stating that MagicJack had sent its Arizona customers notice via email on or before February 14, 2017.

18 On March 6, 2017, a consultant for Public Communications Services, Inc. ("PCSI") filed a letter
19 stating that because PCSI is a wholly owned subsidiary of Global Tel*Link Corporation, all PCSI
20 customers were directed to Global Tel*Link Corporation's website for notice, which was described in
21 the letter filed for Global Tel*Link Corporation on March 2, 2017.

22 On March 6, 2017, a consultant for Value-Added Communications, Inc. ("VACI") filed a letter
23 stating that because VACI is a wholly owned subsidiary of Global Tel*Link Corporation, all VACI
24 customers were directed to Global Tel*Link Corporation's website for notice, which was described in
25 the letter filed for Global Tel*Link Corporation on March 2, 2017.

26 On March 7, 2017, a Procedural Order Approving Consent to Email Service was issued,
27 approving consent to email service for Consumer Cellular, Inc. and Telplex.

28 On March 7, 2017, Staff filed a Memorandum and Proposed Order recommending that the

1 Commission adopt State Matching Fund Program rules on an emergency basis.

2 On March 7, 2017, Sun Corridor Network, a collaboration among Arizona State University,
3 Northern Arizona University, and the University of Arizona, sponsored by the Arizona Board of
4 Regents, filed a letter supporting the Commission's efforts to fund improved access to broadband
5 service for rural Arizona schools and libraries.

6 On March 8, 2017, a Procedural Order Approving Consent to Email Service was issued,
7 approving consent to email service for Zona and Red Rock.

8 On March 9, 2017, the Town of Payson filed a letter supporting the Commission's action to
9 amend the AUSF rules to create a matching fund to bring broadband to rural areas of Arizona.

10 On March 9, 2017, the comments of Margaret Ruccolo, opposing revision of the AUSF rules,
11 were filed.

12 On March 10, 2017, the Town of Tusayan filed a letter supporting the Commission's action to
13 amend the AUSF rules to create a matching fund to bring broadband to rural areas of Arizona.

14 On March 10, 2017, Gila County District I Supervisor, Tommie Martin, filed a letter supporting
15 the Commission's action to amend the AUSF rules to create a matching fund to match the federal E-
16 rate fund for the State of Arizona.

17 On March 10, 2017, a consultant for Access Point, Inc. filed a letter stating that Access Point,
18 Inc. had notified its Arizona customers through a notice posted on its website.

19 On March 10, 2017, Staff filed Staff Proposed Amendment No. 1 to the Staff Proposed Order
20 filed on March 7, 2017.

21 On March 10, 2017, the Commission filed the Agenda for the Open Meeting scheduled for
22 March 14 and 15, 2017, which included the Staff Proposed Order as an item for consideration.

23 On March 13, 2017, Cox filed Exceptions to the Staff Proposed Order.

24 On March 13, 2017, 10 consumer comments supporting amendment of the AUSF rules were
25 filed, and two consumer comments opposing amendment of the AUSF rules were filed.

26 On March 13, 2017, an unsigned draft Navajo County Board of Supervisors Resolution to
27 support the Commission's amendment of the AUSF rules, along with an email in support, was filed.

28 On March 14, 2017, Staff filed Staff Proposed Amendment No. 2.

1 On March 14, 2017, four consumer comments supporting amendment of the AUSF rules were
2 filed.

3 On March 14, 2017, the Town of Snowflake and the Town of Pinetop-Lakeside each filed a
4 letter supporting the Commission's action to amend the AUSF rules to provide matching funds.

5 On March 14, 2017, the Commission discussed, amended, and adopted Staff's Proposed Order
6 at Open Meeting.

7 On March 20, 2017, Commissioner Tobin's office docketed an email from the Arizona
8 Telecommunications & Information Council, supporting the Commission's action to amend the AUSF
9 rules and providing as an attachment a copy of a study commissioned by the State of Arizona: Mark
10 Goldstein et al., *Universal Service to Universal Access: The Paradigm Shift in Citizens' Use of*
11 *Telecommunications* (1995).

12 On March 22, 2017, the Commission issued Decision No. 76018, adopting Staff's
13 recommended rules for the State Matching Fund Program on an emergency basis; adopting an
14 Economic Impact Statement prepared by Staff; and requiring Staff/Legal to submit a Notice of
15 Emergency Rulemaking to the Secretary of State's Office for publication in the *AAR*.

16 On March 28, 2017, Apache County filed Resolution # 2017-04, A Resolution of the Apache
17 County Board of Supervisors, Supporting Arizona Corporation Commission's Action to Amend the
18 Arizona Universal Service Fund, which had been passed, adopted, and approved on March 21, 2017.

19 On April 4 and 12, 2017, two consumer comments opposing amendment of the AUSF rules
20 were filed.

21 On April 4, 2017, CenturyLink filed a letter acknowledging its obligation to pay the newly
22 authorized State Matching Fund Program surcharges.

23 On April 13, 2017, Cox filed a letter affirming that it will pay the new State Matching Fund
24 Program surcharges authorized by Decision No. 76018.

25 On April 21, 2017, the Office of the Secretary of State published in the *AAR* the Notice of
26 Emergency Rulemaking dividing A.A.C. Title 14, Chapter 2, Article 12 into Parts A and B;
27 renumbering the existing AUSF rules to the new Part A; and adopting new rules for the State Matching
28 Fund Program in the new Part B. The emergency rules had an effective date of March 29, 2017.

1 On May 25, 2017, Staff filed a Memorandum and Proposed Order for consideration by the
2 Commission at its Open Meeting on June 13 and 14, 2017. The Proposed Order recommended that
3 AUSF surcharge amounts for category one providers be assessed per access line and per
4 interconnecting trunk line and for category two providers be assessed as a percentage of intrastate toll
5 revenues. The Proposed Order further recommended that the surcharge billing begin on July 1, 2017,
6 or thereafter.

7 On June 7, 2017, Staff filed a second Memorandum and Proposed Order for consideration by
8 the Commission at its Open Meeting on June 13 and 14, 2017. The Proposed Order recommended that
9 Staff be required to file with the Office of the Secretary of State, for publication in the *AAR*, a Notice
10 of Rulemaking Docket Opening and a Notice of Proposed Rulemaking to propose adoption through
11 regular rulemaking of the rules previously adopted on an emergency basis. The Proposed Order also
12 recommended an expedited timeline for the regular rulemaking.

13 On June 8, 2017, the Commission filed the Agenda for the Open Meeting scheduled for June
14 13 and 14, 2017, which included both of Staff's Proposed Orders as items for consideration.

15 On June 13, 2017, the Commission discussed and adopted Staff's Proposed Orders at Open
16 Meeting.

17 On June 19, 2017, Staff filed a letter from MegaPath Corporation ("MegaPath"), in which
18 MegaPath stated that it was no longer a telecommunications provider because it had sold its central
19 office communications equipment and corresponding wholesale telecom accounts to one entity and had
20 been wholly acquired by another, and requested that it be removed from the service list for this matter.
21 The Hearing Division removed MegaPath from the service list.

22 On June 22, 2017, the Commission issued Decision No. 76158, directing Staff and Legal, by
23 June 23, 2017, to prepare and file with the Office of the Secretary of State for publication in the *AAR*
24 no later than July 14, 2017, a Notice of Rulemaking Docket Opening and a Notice of Proposed
25 Rulemaking to propose adoption through regular rulemaking of the rule text previously adopted
26 through emergency rulemaking. The Commission also directed the Hearing Division to hold an oral
27 proceeding to receive public comment on August 14, 2017; established requested deadlines for
28 comments to be submitted; required Staff/Legal to make specified filings; and required the Hearing

1 Division to issue a Recommended Opinion and Order by August 29, 2017, or as soon thereafter as
2 practicable, for consideration by the Commission at its September 12, 2017, Open Meeting.

3 Also on June 22, 2017, the Commission issued Decision No. 76159, establishing State
4 Matching Fund Program surcharges for category one and category two providers, to commence on July
5 1, 2017.

6 On July 11, 2017, Staff filed a letter providing Notice of Comment Deadlines and Hearing for
7 Amendment of the Arizona Universal Service Fund Rules – Proposed Permanent Rulemaking, which
8 included the text of the rules as proposed and information regarding the oral proceeding and submission
9 of written comments.

10 On July 14, 2017, the Notice of Rulemaking Docket Opening and Notice of Proposed
11 Rulemaking were published in the *AAR*.

12 On July 21, 2017, CenturyLink filed Initial Comments Responsive to Order Initiating
13 Permanent Rulemaking.¹²

14 On August 2, 2017, Time Warner filed Reply Comments in Response to Order Initiating
15 Permanent Rulemaking.

16 On August 3, 2017, Cox filed Reply Comments to Order Initiating Permanent Rulemaking.

17 On August 3, 2017, Staff/Legal filed with the Secretary of State, for publication in the *AAR* on
18 August 4, 2017, a Notice of Public Information clarifying that the omission of references to R14-2-
19 B1218 through R14-2-B1223 in the Notice of Rulemaking Docket Opening published on July 14,
20 2017,¹³ had been inadvertent, and pointing out that R14-2-B1218 through R14-2-B1223 had been
21 included in the Notice of Proposed Rulemaking and in the Notice of Emergency Rulemaking.

22 On August 4, 2017, the Notice of Public Information was published in the *AAR*.

23 On August 8, 2017, ATC, STC, Table Top, VTC, and Copper Valley filed Reply Comments on
24 Rulemaking. No reference was made to SCUTA.

25 On August 11, 2017, Staff filed Staff's summary of formal written comments received as of
26

27 ¹² These were the first comments received on the Notice of Proposed Rulemaking for purposes of A.R.S. § 41-
1001(16)(d).

28 ¹³ The Notice of Rulemaking Docket Opening identified the affected Section numbers as "R14-2-1201 through R14-2-
1217 (Parts A and B)."

1 August 10, 2017, with Staff's responses to the comments.

2 On August 14, 2017, the oral proceeding for this matter was held before a duly authorized
3 Administrative Law Judge of the Commission, at the Commission's offices in Phoenix. Commissioner
4 Tobin participated in the oral proceeding telephonically, Staff appeared through counsel, and comments
5 were received from CenturyLink and ADOE (Milan Eaton).

6 On August 18, 2017, Staff filed Staff's summary of formal written and oral comments received
7 as of August 17, 2017, with Staff's responses to the comments. Staff also filed a revised Economic,
8 Small Business, and Consumer Impact Statement.

9 **III. The Proposed Rules**

10 The Notice of Proposed Rulemaking ("NPRM"), which is attached hereto and incorporated
11 herein as Exhibit A, proposed to have the Commission adopt the same rule text as had previously been
12 adopted through the Notice of Emergency Rulemaking ("NERM") effective on March 29, 2017. The
13 NPRM rule text was intended to replace the NERM rule text completely. Like the NERM rule text,
14 the NPRM rule text would accomplish the following:

- 15 • Divide A.A.C. Title 14, Chapter 2, Article 12 into two separate Parts—Part A for the "High
16 Cost Fund" and Part B for "Arizona Universal Service Support for Schools and Libraries";
- 17 • Renumber and relocate all of the existing High Cost Fund rules (R14-2-1201 through R14-
18 2-1217) to Part A as R14-2-A1201 through R14-2-A1217;
- 19 • Amend R14-2-A1201 to replace references to "this Article" with references to "this Part";
- 20 • Make no change to the language of R14-2-A1202 through R14-2-A1217;
- 21 • Create the following new rules in the new Part B:
 - 22 ○ R14-2-B1218, which states the purpose of the State Matching Fund Program;
 - 23 ○ R14-2-B1219, which establishes the definitions applicable to the rules in Part B;
 - 24 ○ R14-2-B1220, which restricts applications for state matching funds to funding
25 years 2017 and 2018 and otherwise establishes funding availability-related
26 requirements;
 - 27 ○ R14-2-B1221, which establishes procedural requirements for obtaining state
28 matching funds as well as the disbursement period for state matching funds

1 awarded;

- 2 ○ R14-2-B1222, which establishes the Administrator's responsibilities for the
3 State Matching Fund Program, the manner and duration for collection of AUSF
4 surcharges to fund the State Matching Fund Program, a requirement for
5 telecommunications service providers that interconnect to the public switched
6 network to acknowledge their duty to pay the new surcharges, and procedural
7 requirements related to the allocation and disbursement of State Matching Fund
8 Program funds; and
9 ○ R14-2-B1223, which limits the duration of the State Matching Fund Program
10 and allows for the State Matching Fund Program to be discontinued earlier or
11 later than specified if required by the FCC or USAC.

12 **IV. Authority for the Rulemaking**

13 Arizona Constitution Art. 15, § 3 grants the Commission full authority to prescribe just and
14 reasonable rates and charges to be made and collected by public service corporations within the state
15 and to make reasonable rules by which public service corporations shall be governed in the transaction
16 of business within the state. The Commission created the AUSF as a ratemaking device pursuant to
17 this constitutional authority; has previously adopted rules related to the AUSF using this constitutional
18 authority; and likewise has the authority to adopt changes to the AUSF rules, as proposed in the NPRM,
19 pursuant to the Commission's exclusive and plenary constitutional ratemaking authority.

20 **V. Rulemaking Requirements**

21 A.R.S. § 41-1057 exempts the Commission from having its rules reviewed by the Governor's
22 Regulatory Review Counsel ("GRRC"), but requires the Commission to adopt substantially similar rule
23 review procedures, to include preparation of an economic impact statement and a statement of the effect
24 of the rule on small business.

25 A.R.S. § 41-1044 requires the Attorney General to review rules that are exempt under A.R.S. §
26 41-1057 and further requires that such rules not be submitted to the Office of the Secretary of State
27 unless first approved by the Attorney General. Although Commission rules generally are subject to
28 review and certification by the Attorney General under A.R.S. § 41-1044 before they become effective,

Commission rules promulgated pursuant to the Commission's exclusive and plenary constitutional ratemaking authority need not be submitted to the Attorney General for certification. (*State ex rel. Corbin v. Arizona Corp. Comm'n*, 174 Ariz. 216, 848 P.2d 301 (Ariz. Ct. App. 1992)); *U S West Communications, Inc. v. Arizona Corporation Commission*, 197 Ariz. 16, 24, 3 P.3d 936, 944 (Ariz. Ct. App. 1999); *Phelps Dodge Corp. v. Arizona Elec. Power Coop.*, 207 Ariz. 95, 83 P.3d 573 (Ariz. Ct. App. 2004).) Because the Commission is conducting this rulemaking pursuant to its exclusive and plenary ratemaking authority under Art. 15, § 3, the Commission is not required to obtain Attorney General certification of this rulemaking under A.R.S. § 41-1044.

Since fiscal year 2009-2010, Arizona has had in place a general rulemaking moratorium, first through creation of the Arizona State Legislature¹⁴ and then through gubernatorial orders. The most recent gubernatorial order is Executive Order 2017-02 ("EO 2017-02"), effective on January 11, 2017, and expiring on December 31, 2017. EO 2017-02 generally prohibits a state agency from conducting rulemaking except for specific purposes and with prior written approval from the Office of the Governor. However, EO 2017-02 expressly exempts the Commission from its applicability, although it encourages all exempted state officials and agencies to participate voluntarily within the context of their own rulemaking processes.

While EO 2017-02 does not apply to the Commission, this rulemaking would fall within the permissible rulemaking purposes under Executive Order 2017-02 because it complies with a federal regulatory requirement for the receipt of federal funds (by providing state matching funds to make schools and libraries eligible for federal matching funds) and will fulfill an objective related to economic development or economic expansion in this state (by increasing the availability of high-speed broadband connectivity in areas in which it is currently lacking).

A.R.S. § 41-1032(A) provides that a final rule filed with the Office of the Secretary of State under A.R.S. § 41-1031 becomes effective 60 days after filing unless the rulemaking agency includes in the preamble information demonstrating that the rule needs to be effective immediately upon filing, for one of five reasons, among them: "To comply with deadlines in . . . federal programs, if the need

¹⁴ See Laws 2010, Ch. 287, § 18 (amending Laws 2009 (3rd Special Session) Ch. 7, § 28).

1 for an immediate effective date is not created due to the agency's delay or inaction" and "To provide a
2 benefit to the public and a penalty is not associated with a violation of the rule."

3 To ensure that eligibility for the federal matching funds under the E-rate Program is maintained,
4 the Commission must adopt rules to replace the emergency rules for the State Matching Fund Program
5 before the emergency rules expire on September 25, 2017. Otherwise, the Program will be disrupted,
6 and the eligibility of Arizona schools and libraries to receive the federal matching funds made available
7 under EMO2 will be jeopardized for funding years 2017 and 2018. The availability of these federal
8 matching funds, made possible due to the state matching funds generated through the rules for the State
9 Matching Fund Program, presents a benefit to the public, and there is no penalty associated with a
10 violation of those rules. Thus, we conclude that this rulemaking is eligible for an immediate effective
11 date under A.R.S. § 41-1032(A)(3) and (4), and we will require the Preamble for the Notice of Final
12 Rulemaking to include language demonstrating the need for an immediate effective date.

13 **VI. Formal Public Comments & Responses**

14 Formal written comments on the NPRM were filed by CenturyLink; Time Warner; and Cox;
15 and jointly by ATC, STC, Table Top, VTC, and Copper Valley. Formal oral comments on the NPRM
16 were provided by CenturyLink and by Milan Eaton of ADOE at the Oral Proceeding on August 14,
17 2017.

18 Exhibit B, attached hereto and incorporated herein, is Staff's summary of the formal comments
19 received, along with Staff's responses thereto.

20 Exhibit C, attached hereto and incorporated herein, is the Commission's summary of the formal
21 comments received, along with the Commission's responses thereto. The Commission has thoroughly
22 reviewed and considered Staff's responses in formulating the Commission's own summary and
23 responses. As shown in Exhibit C, the Commission does not believe that any of the formal comments
24 received necessitate any changes to the text of the rules as proposed in the NPRM.

25 **VII. Changes from Proposed Rules**

26 Although the formal comments received do not necessitate any changes to the text of the rules
27 as proposed in the NPRM, the Commission believes that it is appropriate to make some minor changes
28 to the text of the rules to correct grammatical and typographical errors and make the rules more clear,

1 concise, and understandable. The changes are not intended to, and the Commission believes that they
2 do not, change in any way the scope, meaning, or impact of the rules. Thus, the Commission believes
3 that the changes do not result in any change to the rules that would necessitate publication of a Notice
4 of Supplemental Proposed Rulemaking as required by A.R.S. § 41-1025(A) when an agency's changes
5 to a rule make it "substantially different" than the proposed rule.

6 The Commission believes that before the proposed rules are adopted as final rules, the following
7 minor changes should be made to the text of the proposed rules:

- 8 • The text of R14-2-1214(D), which is being renumbered along with the rest of R14-2-1214,
9 should be shown in strike-out, as it inadvertently appeared without strikeout in the NPRM;
- 10 • A hyphen should be added in the Section label for R14-2-A1209, which inadvertently was
11 labeled as "R14-2A1209" in the NPRM;
- 12 • In R14-2-B1219(3), the definition of "Arizona Universal Service Broadband Special
13 Construction Project Matching Fund" should be revised by replacing "Arizona Universal
14 Service" with "E-rate," to be consistent with the name of the fund as used elsewhere in the
15 rules;
- 16 • In R14-2-B1219(3), the definition of "Discount Calculations" should be revised by
17 replacing "Calculations" with "rate" and by replacing "discount matrix, determined" with
18 "percentage of cost coverage for an applicant, determined by the FCC for its E-rate
19 Program," to be consistent with the terminology used in the rules;
- 20 • In R14-2-B1219(3), in the definition of "Eligible provider," a comma should be added after
21 "498 ID," to correct a grammatical error;
- 22 • In R14-2-B1219(3), in the definition of "E-rate Modernization Orders," a semi-colon should
23 be added after the first "(2014)," to separate the two citations;
- 24 • In R14-2-B1219(3), the definitions should be rearranged in alphabetical order, to be
25 consistent with Secretary of State publication standards;
- 26 • In R14-2-B1220(E), the comma after "FCC" should be moved to follow "and," to correct a
27 grammatical error;
- 28 • In R14-2-B1220(F), "share" should be replaced with "rate," to be consistent with the

terminology used in the rules; “Applicant” should not be capitalized; and the comma after “DOE” should be deleted to correct a grammatical error;

- In R14-2-B1220(F)(1), “rate” should be replaced with “rates,” to correct a grammatical error;
- In R14-2-B1220(F)(2), “60-80” should be replaced with “60 and 80,” to correct a grammatical error;
- In R14-2-B1221(A), “FCC” should be inserted before “Form 471,” to be consistent with the term as defined;
- In R14-2-B1221(D), a comma should be inserted after “FCDL,” to correct a grammatical error; and
- In R14-2-B1222(C), “Sections” should be deleted, to be consistent with Secretary of State rulemaking guidelines.

The text of the rules, with the revisions described above, is set forth in Exhibit E, which is attached hereto and incorporated herein.

VIII. Probable Economic Impacts

Staff’s revised Economic, Small Business, and Consumer Impact Statement (“EIS”) for this rulemaking is attached hereto as Exhibit D and incorporated herein.

Because the Commission has already adopted the rule provisions included in the NPRM through Emergency Rulemaking, finalizing those rules in a permanent rulemaking (with the minor revisions described above) will maintain the status quo and will have no new economic impact. If the Commission were to allow the emergency rules to expire and were not to adopt the rules on a permanent basis through regular rulemaking, however, the potential negative impact to schools, students, libraries, and library patrons, as well as telecommunications service providers who may bid upon special construction projects, would be substantial. Additionally, there could be a significant negative impact to other members of the public, who may otherwise benefit from the availability of additional bandwidth in their communities.

Staff’s EIS for this rulemaking sufficiently describes most of the costs and benefits likely to result from the Commission’s creation of the State Matching Fund Program, all of which would be

1 eliminated if the Commission were to allow the emergency rules to expire and were not to adopt the
2 rules on a permanent basis through regular rulemaking. For a more complete understanding of the
3 probable costs and benefits derived from the State Matching Fund Program, however, the Commission
4 should make the following modifications to the EIS before it is finalized:

- 5 • In item (1) on page 1, on the fourth line, replace “amended” with “adopted.”
- 6 • In item (2) on page 1, add the following to the list: “students and their families,” “library
7 patrons,” and “political subdivisions that fund the capital needs of public libraries.”
- 8 • At the beginning of item (3)(b) on page 2, before the current text, insert the following:
9 “To the extent that political subdivisions are responsible to fund the capital needs of public
10 libraries eligible for E-Rate funding of special construction project charges, and those libraries
11 apply for and receive both federal and state matching funds made available due to the E-rate
12 Broadband Special Construction Project Matching Fund Program, those political subdivisions
13 will benefit from the receipt of those funds as well as from the increased broadband connectivity
14 that will result from the special construction projects.”
- 15 • At the end of item (5)(a) on page 3, insert the following:
16 “Additionally, some businesses involved in construction of broadband infrastructure or
17 provision of broadband services could be small businesses.”
- 18 • At the beginning of item (5)(d) on page 3, before the current text, insert the following:
19 “Children, and families of children, whose schools receive federal and state matching funds to
20 fund special construction projects because of the E-rate Broadband Special Construction Project
21 Matching Fund Program will benefit from the availability of high-speed broadband connectivity
22 and the enhanced educational opportunities that affords.”
- 23 • Replace the current text in item (8) on page 4 with the following:
24 “The rulemaking relies on data provided by the Federal Communications Commission, the
25 Arizona Department of Education, and the EducationSuperHighway regarding the current and
26 future need for broadband connectivity in schools and libraries. The data relied upon is cited
27 in the Commission Decisions adopting the rules on an emergency basis and adopting the rules
28 on a permanent basis.”

- Replace the current text in item (C) on page 4 with the following:

“Not applicable”

With the modifications set forth above, the Commission should adopt the EIS attached hereto as Exhibit D to meet the A.R.S. § 41-1057 requirement for the Commission to prepare an EIS substantially similar to an EIS as required by A.R.S. § 41-1055.

IX. Resolution

It is in the public interest for the Commission to adopt the rules set forth in Exhibit E as permanent rules to completely replace the emergency rules adopted in A.A.C. Title 14, Chapter 2, Article 12. Thus, the Commission should direct Staff/Legal to prepare and file with the Office of the Secretary of State, for publication in the *AAR*, a Notice of Final Rulemaking that conforms to all applicable provisions of A.A.C. R1-1-602(B) and includes a Preamble complying with all applicable provisions of A.R.S. § 41-1001(16)(a) through (d) along with a Final Rulemaking package that conforms to all applicable provisions of A.A.C. R1-1-602(C). Because the permanent rules adopted through this Decision must take effect before the expiration of the emergency rules on September 25, 2017, Staff/Legal shall ensure that the Final Rulemaking package is filed with the Office of the Secretary of State before September 25, 2017, and that the Preamble for the Notice of Final Rulemaking specifies that the rules must take effect immediately upon filing with the Office of the Secretary of State under A.R.S. § 41-1032(A)(3) and (4) to ensure that the State Matching Fund Program is not disrupted and eligibility for federal E-rate Program matching funds is not jeopardized.

* * * * *

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

FINDINGS OF FACT

1. The procedural history for this matter is set forth accurately in Section II, which is incorporated by reference and adopted as though set forth in full here.

2. Approximately 55 of Arizona’s 214 school districts currently lack bandwidth per student meeting the minimum 100 Kbps necessary for digital learning in the classroom, and approximately 110 of Arizona’s school districts currently access the Internet through non-fiber

1 technology, which is not scalable to meet growing bandwidth needs for digital learning.

2 3. Capital construction costs are a common obstacle for schools and libraries that desire to
3 increase their high-speed broadband connectivity and bandwidth.

4 4. The federal E-rate Program, for which regulations have been adopted in CFR Title 47,
5 Chapter 1, Part 54, Subpart F, is designed to enhance access to advanced telecommunications and
6 information services for schools and libraries.

7 5. In 2014, through EMO1 and EMO2, the FCC amended its regulations to modernize the
8 E-rate Program and focus on expanding high-speed Internet connectivity to schools and libraries.

9 6. In EMO2, the FCC revised its E-rate Program regulations, *inter alia*, to provide,
10 beginning in funding year 2016, a dollar-for-dollar match to state funding provided for special
11 construction charges to connect schools and libraries to high-speed broadband services meeting EMO1
12 long-term capacity targets, in an amount up to 10 percent of the special construction charges.

13 7. The Commission created the AUSF in Decision No. 56639 (September 22, 1989) as a
14 ratemaking device pursuant to the Commission's exclusive and plenary ratemaking authority granted
15 by Article 15, § 3 of the Arizona Constitution.

16 8. The Commission created the AUSF rules for the High Cost Fund program, located in
17 A.A.C. Title 14, Chapter 2, Article 12 (recently moved to Part A), in Decision No. 59623 (April 24,
18 1996) pursuant to the Commission's exclusive and plenary ratemaking authority granted by Article 15,
19 § 3 of the Arizona Constitution.

20 9. The Commission adopted emergency rules for the State Matching Fund Program in
21 A.A.C. Title 14, Chapter 2, Article 12, in Decision No. 76018 (March 22, 2017), pursuant to the
22 Commission's exclusive and plenary ratemaking authority granted by Article 15, § 3 of the Arizona
23 Constitution.

24 10. The emergency rules for the State Matching Fund Program became effective on March
25 29, 2017, and will expire on September 25, 2017, unless they are renewed under A.R.S. § 41-1026(D)
26 or replaced through regular rulemaking.

27 11. In Decision No. 76158 (June 22, 2017), *inter alia*, the Commission directed Staff/Legal
28 to prepare and file with the Office of the Secretary of State, for publication in the *AAR*, a Notice of

1 Rulemaking Docket Opening and an NPRM to propose adoption through regular rulemaking of the
2 rule text previously adopted through emergency rulemaking.

3 12. The Notice of Rulemaking Docket Opening and NPRM were published in the *AAR* on
4 July 14, 2017.

5 13. A Notice of Public Information was published in the *AAR* on August 4, 2017, to correct
6 an error in the Notice of Rulemaking Docket Opening.

7 14. On August 14, 2017, the Commission held an oral proceeding at its offices in Phoenix,
8 Arizona, to receive public comments regarding the NPRM. Two members of the public provided oral
9 comment.

10 15. Between July 14, 2017, and August 14, 2017, the Commission received four sets of
11 formal written comments concerning the NPRM.

12 16. The written and oral comments, and Commission responses thereto, are summarized in
13 Exhibit C hereto, which is incorporated by reference and adopted as though set forth in full here.

14 17. The text of and legal authority for the proposed rules set forth in the NPRM are the same
15 as for the emergency rules adopted effective March 29, 2017.

16 18. The State Matching Fund Program rules, as adopted through emergency rulemaking and
17 as proposed in the NPRM, are designed to generate a total of \$8 million in AUSF funds to be used as
18 state matching funds for purposes of obtaining additional federal matching funds under the federal E-
19 rate Program.

20 19. USAC administers the federal E-rate Program and must approve the source for state
21 matching funds as a prerequisite for eligibility to receive federal E-rate Program matching funds.

22 20. USAC has identified Arizona's State Matching Fund Program, created through the
23 emergency rules adopted in March 2017, as a source of state funding that qualifies as matching funds
24 for purposes of the federal E-rate Program.

25 21. The State Matching Fund Program makes it possible for schools and libraries within
26 Arizona to apply for federal E-rate Program matching funds made available by EMO2, in an aggregate
27 amount of \$8 million.

28 22. The changes to the proposed rules described in Section VII herein and reflected in

1 Exhibit E, which are incorporated by reference and adopted as though set forth in full here, will make
2 the rules more clear, concise, and understandable; will not change the meaning or impact of the rules;
3 and should be made to the language of the proposed rules before the rules are adopted as final rules.

4 23. The EIS prepared by Staff, attached as Exhibit D hereto, sufficiently describes most of
5 the impacts expected to result from the creation of the State Matching Fund Program, should be
6 modified as described in Section VIII herein, and as so modified should be adopted as the EIS for this
7 rulemaking.

8 24. Arizona case law establishes that Commission rules promulgated pursuant to the
9 Commission's exclusive and plenary constitutional ratemaking authority, such as those proposed in the
10 NPRM, need not be submitted to the Attorney General for certification under A.R.S. § 41-1044.

11 25. It is just and reasonable and in the public interest for the Commission to adopt the rules
12 set forth in Exhibit E as permanent rules to completely replace the emergency rules previously adopted
13 in A.A.C. Title 14, Chapter 2, Article 12.

14 26. The Commission should direct Staff/Legal to prepare and file with the Office of the
15 Secretary of State, for publication in the *AAR*, a Notice of Final Rulemaking that includes the text of
16 the rules as set forth in Exhibit E, conforms to all applicable provisions of A.A.C. R1-1-602(B), and
17 includes a Preamble complying with all applicable provisions of A.R.S. § 41-1001(16)(a) through (d),
18 along with a Final Rulemaking package that conforms to all applicable provisions of A.A.C. R1-1-
19 602(C).

20 27. Because it is necessary for the permanent rules adopted through this Decision to take
21 effect before the emergency rules expire on September 25, 2017, the Commission should direct Staff
22 to ensure that the Final Rulemaking package is filed with the Office of the Secretary of State before
23 September 25, 2017, and that the Preamble for the Notice of Final Rulemaking specifies that the rules
24 must take effect immediately upon filing with the Office of the Secretary of State under A.R.S. § 41-
25 1032(A)(3) and (4) to ensure that the State Matching Fund Program is not disrupted and eligibility for
26 federal E-rate Program matching funds is not jeopardized.

27 ...

28 ...

CONCLUSIONS OF LAW

1
2 1. Pursuant to Arizona Constitution, Art. 15, § 3, the Commission has authority and
3 jurisdiction to revise A.A.C. Title 14, Chapter 2, Article 12, as set forth in Exhibit E attached hereto.

4 2. The Commission is not required to submit this rulemaking to the Office of the Attorney
5 General for certification under A.R.S. § 41-1044.

6 3. Notice of the oral proceeding regarding the NPRM was provided in the manner
7 prescribed by law.

8 4. The revisions to A.A.C. Title 14, Chapter 2, Article 12, set forth in Exhibit E do not
9 reflect a substantial change from the proposed rules as published in the NPRM.

10 5. The revisions to A.A.C. Title 14, Chapter 2, Article 12, as set forth in Exhibit E, are
11 clear, concise, and understandable; within the Commission's power to make; within enacted legislative
12 standards; and made in compliance with appropriate procedures.

13 6. Adoption of the revisions to A.A.C. Title 14, Chapter 2, Article 12 set forth in Exhibit
14 E is just and reasonable and in the public interest.

15 7. The EIS attached hereto as Exhibit D, with the modifications identified in Findings of
16 Fact No. 23, substantially conforms to the requirements of A.R.S. §§ 41-1057 and 41-1055 and should
17 be adopted.

18 8. The summary of the written and oral comments received regarding the NPRM and the
19 Commission's responses to those comments, as set forth in Exhibit C, are accurate, comply with A.R.S.
20 § 41-1001(16)(d), and should be included in the Preamble for the Notice of Final Rulemaking for this
21 matter.

22 9. A.R.S. § 41-1032(A)(3) and (4) justify adoption of the rules set forth in Exhibit E with
23 an immediate effective date.

ORDER

24
25 IT IS THEREFORE ORDERED that the Commission hereby adopts the text of A.A.C. Title
26 14, Chapter 2, Article 12 as set forth in Exhibit E.

27 IT IS FURTHER ORDERED that the Commission hereby adopts the Economic Impact
28 Statement attached hereto as Exhibit D, with the modifications identified in Findings of Fact No. 23.

1 IT IS FURTHER ORDERED that the Commission hereby adopts the summary of comments
2 and Commission responses set forth in Exhibit C.

3 IT IS FURTHER ORDERED that the Commission's Utilities Division/Legal Division shall
4 prepare and file with the Office of the Secretary of State, before September 25, 2017, a Notice of Final
5 Rulemaking package that includes (1) A Notice of Final Rulemaking setting forth the text of A.A.C.
6 Title 14, Chapter 2, Article 12, adopted herein and a Preamble conforming to A.R.S. § 41-1001(16)(d)
7 and including the summary of comments and Commission responses adopted herein as well as language
8 demonstrating the need for an immediate effective date for the rulemaking as provided under A.R.S. §
9 41-1032(A)(3) and (4); (2) the Economic Impact Statement adopted herein; and (3) any additional
10 documents required for publication and codification by the Office of the Secretary of State.

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IT IS FURTHER ORDERED that the Commission's Utilities Division/Legal Division is authorized to make non-substantive changes in the text of A.A.C. Title 14, Chapter 2, Article 12 as adopted herein; the summary of comments and Commission responses adopted herein; the Economic Impact Statement adopted herein; and any of the additional documents required by the Office of the Secretary of State, in response to comments received from the Office of the Secretary of State during the publication and/or codification process, unless the Commission requires otherwise after notification of those changes.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.


CHAIRMAN FORESE


COMMISSIONER DUNN


COMMISSIONER TOBIN


COMMISSIONER LITTLE


COMMISSIONER BURNS



IN WITNESS WHEREOF, I, TED VOGT, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 19th day of September 2017.


TED VOGT
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____
SH/rt

SERVICE LIST FOR:

ARIZONA UNIVERSAL SERVICE FUND
RULEMAKING

DOCKET NO.:

RT-00000H-97-0137

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 14 Waltham, Massachusetts 02451

15 GRASSHOPPER GROUP, LLC
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25 ALLIANCE GLOBAL NETWORKS LLC
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6 GLOBAL TEL*LINK CORPORATION
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 7 12021 Sunset Hills Rd. - 100
 Reston, Virginia 20190

8 VALUE-ADDED COMMUNICATIONS, INC.
 Attn: Susan Cockerham
 9 12021 Sunset Hills Rd. - 100
 10 Reston, Virginia 20190

11 DSI-ITI, LLC
 12021 Sunset Hills Rd, Ste. 100
 12 Reston, Virginia 20190

13 BT COMMUNICATIONS SALES, LLC
 11440 Commerce Park Dr.
 14 Reston, Virginia 20191

15 NEXTGEN COMMUNICATIONS, INC.
 275 W. St., - 400
 16 Annapolis, Maryland 21401

17 TOSHIBA AMERICA INFORMATION SYSTEMS,
 INC.
 1420 Spring Hill Road, Suite 401
 18 McLean, Virginia 22102

19 VIA SAT, INC.
 1420 Spring Hill Road, Suite 401
 20 McLean, Virginia 22102

21 SPOK INC.
 6850 Versar Center
 22 Ste. 420 - Tax Department
 23 Springfield, Virginia 22151

24 NORSTAR TELECOMMUNICATIONS, LLC
 10025 Scenic View Rd.
 25 Vienna, Virginia 22182

26 PAY TEL COMMUNICATIONS, INC.
 P.O. Box 8179
 27 Greensboro, North Carolina 27419

ACCESS POINT, INC.
 1100 Crescent Green, Ste. 109
 Cary, North Carolina 27518

BANDWIDTH.COM CLEC, LLC
 900 Main Campus Dr. - 500
 Raleigh, North Carolina 27606

ACN COMMUNICATIONS SERVICES, INC.
 1000 Progress Place
 Concord, North Carolina 28025

CONTERRA ULTRA BROADBAND, LLC
 2101 Rexford Rd., Ste. 200E
 Charlotte, North Carolina 28211

ENTELEGENT SOLUTIONS, INC.
 3800 Arco CorpDr. - 310
 Charlotte, North Carolina 28273

VOICECOM TELECOMMUNICATIONS, LLC
 5900 Windward Pkwy., Ste. 500
 Alpharetta, Georgia 30005

Susan Cockerham
 CREXENDO BUSINESS SOLUTIONS, INC
 1725 Windward Concourse, Suite 150
 Alpharetta, Georgia 30005

CLOUDCALL INC., fka SYNETY, INC.
 6250 Shiloh Road, Suite 240
 Alpharetta, Georgia 30005

PATRIOT MOBILE, LLC, fka EOS MOBILE
 HOLDINGS
 6250 Shiloh Rd., Suite 240
 Alpharetta, Georgia 30005

STREAM COMMUNICATIONS, LLC
 6250 Shiloh Road, Suite 240
 Alpharetta, Georgia 30005

THE PEOPLE'S OPERATOR USA, LLC
 6250 Shiloh Rd., Suite 240
 Alpharetta, Georgia 30005

1 800 COLLECT
 1725 Windward Concourse, Ste. 150
 Alpharetta, Georgia 30005

ACCESS2GO, INC.
 6250 Shiloh Rd., Suite 240
 Alpharetta, Georgia 30005

DIGIUM CLOUD SERVICES, LLC

6250 Shiloh Rd., Ste. 240
Alpharetta, Georgia 30005

AMERICAN PHONE SERVICES, CORP.

308 Maxwell Road, Suite 100
Alpharetta, Georgia 30009

TELRITE CORPORATION

4113 Monticello St.
Covington, Georgia 30014

TELRITE CORPORATION

P.O. Box 2207
Covington, Georgia 30015

NEW CENTURY TELECOM, INC.

3050 Royal Blvd. South, Ste. 175
Alpharetta, Georgia 30022

INTERSTATE TELECOMMUNICATIONS, INC.

1385 Weber Industrial Dr.
Cumming, Georgia 30041

WDT WORLD DISCOUNT

TELECOMMUNICATIONS, CO.
1595 Peachtree Pkwy., Ste. 204-337
Cumming, Georgia 30041

HUGHES NETWORK SYSTEMS, LLC

1595 Peachtree Parkway, Ste. 204-337
Cumming, Georgia 30041

Kenny Perkins

3075 Breckinridge Boulevard, Suite 425
Duluth, Georgia 30096-4981

TELE CIRCUIT NETWORK CORPORATION

1815 Satellite Blvd. - 504
Duluth, Georgia 30097

U.S. SOUTH COMMUNICATIONS, INC.

250 Williams St., Ste. M100
Atlanta, Georgia 30303

GLOBAL CROSSING TELECOMMUNICATIONS, INC.

1050 Crown Pointe Parkway, Suite 1500
Atlanta, Georgia 30338

GLOBALSTAR USA, LLC

1050 Crown Point Parkway
Suite 1500
Atlanta, Georgia 30338

TIME WARNER CABLE INFORMATION SVCS.

1050 Crown Pointe Parkway, Suite 1500
Atlanta, Georgia 30338

MOMENTUM TELECOM, INC.

1050 Crown Pointe Parkway
Suite 1500
Atlanta, Georgia 30338

IP NETWORKED SERVICES

1050 Crown Pointe Parkway, Suite 1500
Atlanta, Georgia 30338

TELRITE CORPORATION

2300 Windy Ridge Pkwy, Suite 350S
Atlanta, Georgia 30339

BELLSOUTH LONG DISTANCE INC.

675 W. Peachtree St., Rm 17E21
Atlanta, Georgia 30375

TELETONIX COMMUNICATIONS, LLC

4800 Spring Park Rd. #16
Jacksonville, Florida 32207

RELIANT COMMUNICATIONS, INC.

801 International Parkway, 5th Fl.
Lake Mary, Florida 32746

OMNISPRING LLC

242 Rangeline Road
Longwood, Florida 32750

NEXTIVA INC.

242 Rangeline Road
Longwood, Florida 32750

COMM-CORE LLC

242 Rangeline Road
Longwood, Florida 32750

CONNECTME LLC

242 Rangeline Road
Longwood, Florida 32750

GREAT CALL, INC.

242 Rangeline Road
Longwood, Florida 32750

VOIP STREET, INC., dba VOIP INNOVATIONS

242 Rangeline Road
Longwood, Florida 32750

MJ2IP LLC, dba CITY HOSTED SOLUTIONS

242 Rangeline Road
Longwood, Florida 32750

1 PURETALK HOLDINGS, LLC
242 Rangeline Road
Longwood, Florida 32750

3 NEWVOICEMEDIA US, INC.
242 Rangeline Road
Longwood, Florida 32750

5 ICOMMERCE SERVICES, INC., dba GYMPHONE
242 Rangeline Road
Longwood, Florida 32750

7 AFFILIATED TECHNOLOGY SOLUTIONS, LLC
242 Rangeline Road
Longwood, Florida 32750

9 DISTRIBUTED COMPUTING, INC., dba
TEN4PBX.COM
242 Rangeline Road
Longwood, Florida 32750

11 SMALL OFFICE SYSTEMS, INC.
242 Rangeline Road
Longwood, Florida 32750

13 DENTALTEK LLC
242 Rangeline Road
Longwood, Florida 32750

15 PANTERRA NETWORKS, INC.
242 Rangeline Road
Longwood, Florida 32750

17 ESCO TECHNOLOGIES, LLC
242 Rangeline Road
Longwood, Florida 32750

19 BLUE OCEAN TECHNOLOGIES, INC.
242 Rangeline Road
Longwood, Florida 32750

21 SIMPLEVOIP LLC
242 Rangeline Road
Longwood, Florida 32750

23 ONE VOICE COMMUNICATIONS, INC.
242 Rangeline Road
Longwood, Florida 32750

25 WHOLESALE CARRIER SERVICES, INC.
242 Rangeline Road
Longwood, Florida 32750

GO SOLO TECHNOLOGIES OF FLORIDA ONE,
INC.
242 Rangeline Road
Longwood, Florida 32750

TING INC.
242 Rangeline Road
Longwood, Florida 32750

READY WIRELESS, INC.
242 Rangeline Road
Longwood, Florida 32750

THINKING PHONE NETWORKS, INC.
242 Rangeline Road
Longwood, Florida 32750

IPITIMI INC.
242 Rangeline Road
Longwood, Florida 32750

S-NET COMMUNICATIONS, INC.
242 Rangeline Road
Longwood, Florida 32750

MASSCOMM INC.
242 Rangeline Road
Longwood, Florida 32750

FIRST CHOICE TECHNOLOGY, INC.
903 Lake Lilly Dr. - A125
Maitland, Florida 32751

INTERNATIONAL TELECOM, LTD
242 Rangeline Road
Longwood, Florida 32780

ACCESS MEDIA HOLDINGS, LLC
PO Drawer 200
Winter Park, Florida 32790

FLASH WIRELESS, LLC
PO Drawer 200
Winter Park, Florida 32790

INTERFACE SECURITY SYSTEMS
P.O. Drawer 200
Winter Park, Florida 32790

CINTEX WIRELESS
PO Drawer 200
Winter Park, Florida 32790

1 TALK AMERICA SERVICES, LLC
 2 PO Drawer 200
 3 Winter Park, Florida 32790-0200

4 Jennifer DePinto
 5 ADVANTAGE TELECOMMUNICATIONS CORP.
 6 3001 Aloma Avenue, Suite 304
 7 Winter Park, Florida 32792

8 REDUCED RATE LONG DISTANCE, LLC
 9 1800 Rembrooke Dr., Ste. 300
 10 Orlando, Florida 32810

11 VOXBEAM TELECOMMUNICATIONS, INC., dba
 12 MAGIC TELECOM
 13 6314 Kingspointe Pkwy., Ste. 1
 14 Orlando, Florida 32819

15 NET ONE INTERNATIONAL, INC.
 16 1969 S. Alafaya Trail, Suite 324
 17 Orlando, Florida 32828

18 Q LINK WIRELESS, LLC
 19 499 E. Sheridan St., Ste. 400
 20 Dania, Florida 33004

21 TELMAX USA, L.L.C.
 22 3350 SW 148th St., Ste. 400
 23 Miramar, Florida 33027

24 WHOLESale CARRIER SERVICES, INC.
 25 12350 NW 39th Street
 26 Coral Springs, Florida 33067

27 YMAX COMMUNICATIONS CORP
 28 P.O. Box 6785
 West Palm Beach, Florida 33405

TOLY DIGITAL NETWORKS INC.
 1005 W. Indiantown Rd., Ste. 201
 Jupiter, Florida 33458

GO SOLO TECHNOLOGIES, INC.
 5410 Mariner St. - 175
 Tampa, Florida 33609

NETWOLVES NETWORK SERVICES, LLC
 4710 Eisenhower Boulevard, Suite E8
 Tampa, Florida 33634

TOWER CLOUD, INC
 9501 International Court North
 St. Petersburg, Florida 33716

TRANSWORLD NETWORK, CORP.
 255 Pine Ave. N.
 Oldsmar, Florida 34677

TALTON COMMUNICATIONS, INC.
 910 Ravenwood Dr.
 Selma, Alabama 36701

Vincent Petrescu
 NECC TELECOM, INC.
 4969 US Highway 42, Suite 2700
 Louisville, Kentucky 40222

PULSE TELECOM LLC
 4969 US Hwy 42, Ste. 2700
 Louisville, Kentucky 40222

NATIONAL DIRECTORY ASSISTANCE, LLC
 12700 Townepark Way
 Louisville, Kentucky 40243

I- WIRELESS
 1 Levee Way, Suite 3104
 Newport, Kentucky 41071

VELOCITY THE GREATEST PHONE COMPANY
 EVER, INC.
 7130 Spring Meadows Dr. W.
 Holland, Ohio 43528

Ryan Tackett
 BROADVOX-CLEC, LLC
 75 Erieview Plaza, Suite 400
 Cleveland, Ohio 44114

DCT TELECOM GROUP, INC.
 27877 Clemens Rd.
 Westlake, Ohio 44145

EASTON TELECOM SERVICES, LLC
 Summit II - Unit A
 3046 Brecksville Rd.
 Richfield, Ohio 44286

FIRST COMMUNICATIONS, LLC
 3340 W. Market St
 Akron, Ohio 44333

AMERICAN TELECOMMUNICATIONS SYSTEMS,
 INC.
 4884 Dressler Rd. NW #A
 Canton, Ohio 44718

CINCINNATI BELL ANY DISTANCE, INC.
 221 E. Fourth St., Ste. 103-1170
 Cincinnati, Ohio 45202

1 EVOLVE BUSINESS SOLUTIONS, LLC
2 221 East Fourth Street, Room 103-1070
3 Cincinnati, Ohio 45202

4 MULTILINE LONG DISTANCE, INC.
5 8044 Montgomery Rd. - 700
6 Cincinnati, Ohio 45236

7 PNG TELECOMMUNICATIONS, INC.
8 8805 Governor's Hill Dr.
9 Cincinnati, Ohio 45249

10 TELECARE, INC.
11 176 W. Logan St. - 232
12 Noblesville, Indiana 46060

13 BULLSEYE TELECOM, INC.
14 25925 Telegraph Rd., Ste. 210
15 Southfield, Michigan 48033

16 NATIONWIDE LONG DISTANCE SERVICE, INC.
17 2000 Town Center, Ste. 1900
18 Southfield, Michigan 48075

19 LCR TELECOMMUNICATIONS, LLC
20 100 W. Big Beaver Rd., Ste. 200
21 Troy, Michigan 48084

22 LONG DISTANCE CONSOLIDATED BILLING CO.
23 4010 W. Walton Blvd. Ste. B
24 Waterford, Michigan 48329

25 Eric Blackford
26 ALLIANCE GLOBAL NETWORKS, LLC
27 107 West Michigan Avenue, 4th Floor
28 Kalamazoo, Michigan 49007

AMERICAN CYBER CORPORATION DBA
DISCOUNT PLUS
107 West Michigan, 4th Floor
Kalamazoo, Michigan 49007

AMERICAN TELECOM SYSTEMS
107 W. Michigan Ave., 4th Floor
Kalamazoo, Michigan 49007

Rebecca West
BUSINESS TELECOM, LLC
2851 Charlevoix Drive SE, Suite 209
Grand Rapids, Michigan 49546

EARTHLINK BUSINESS LLC
2851 Charlevoix Dr. SE, Ste 209
Grand Rapids, Michigan 49546

CTC COMMUNICATIONS CORP
2851 Charlevoix Dr. SE, Ste. 209
Grand Rapids, Michigan 49546

DELTACOM, INC., DBA EARTHLINK BUSINESS
2851 Charlevoix Dr. SE, Ste. 209
Grand Rapids, Michigan 49546

TELESPAN COMMUNICATIONS, INC.
5925 E. P. True Pkwy., Ste. 7
West Des Moines, Iowa 50266

TCO NETWORK, INC.
13400 Bishops Lane - 295
Brookfield, Wisconsin 53005

TDS LONG DISTANCE CORPORATION
TDS LONG DISTANCE
525 Junction Rd.
Madison, Wisconsin 53717

LOTEL
LOTEL DBA COORDINATED BILLING SERVICES
4946 Devonshire Circle
Shorewood, Minnesota 55331

Donna Heaston
ELECTRIC LIGHTWAVE, LLC
6160 Golden Hills Drive
Golden Valley, Minnesota 55416

POPP.COM INC.
620 Mendelssohn Ave. N.
Golden Valley, Minnesota 55427

ONVOY, LLC
10300 Sixth Ave. North
Plymouth, Minnesota 55431

CFL, L.L.C.
725 N. Derby Ln.
North Sioux City, South Dakota 57049

ORBITCOM INC.
1701 North Louise Drive
Sioux Falls, South Dakota 57107

EXTENET SYSTEMS, INC.
3030 Warrenville Rd., Ste. 340
Lisle, Illinois 60532

PEERLESS NETWORK OF ARIZONA, LLC
222 S. Riverside Plaza, Ste. 2730
Chicago, Illinois 60606

INETWORKS GROUP, INC.
125 S. Wacker - 2510
Chicago, Illinois 60606

ACCESS ONE, INC.
820 W. Jackson Blvd., 6th Floor
Chicago, Illinois 60607

Julie Oost
AIRUS, INC.; PEERLESS NETWORK OF ARIZONA,
LLC
840 S. Canal, 7th Floor
Chicago, Illinois 60607

NEUTRAL TANDEM- ARIZONA, LLC
550 W. Adams St. - 900
Chicago, Illinois 60661

STRATUS NETWORKS, INC.
4700 N. Prosper Rd.
Peoria Heights, Illinois 61616

CAMPUS COMMUNICATIONS GROUP, INC.
206 N. Randolph St., Ste. 200
Champaign, Illinois 61824

CBEYOND COMMUNICATIONS, LLC
2323 Grand Boulevard, Suite 925
Kansas City, Missouri 64108

IONEX COMMUNICATIONS NORTH, INC.
2323 Grand Boulevard, Suite 925
Kansas City, Missouri 64108

UNITE PRIVATE NETWORKS, LLC
7200 NW 86th St., Ste. M
Kansas City, Missouri 64153

GARMIN USA, INC.
1200 E. 151st St.
Olathe, Kansas 66062

X5 OPCO, LLC
8675 W. 96th St., Suite 220
Overland Park, Kansas 66212

CLEARFLY COMMUNICATIONS
8675 W. 96th St., Suite 220
Overland Park, Kansas 66212

ICORE NETWORKS, INC.
8675 W. 96th Street, Suite 220
Overland Park, Kansas 66212

GOOGLE NORTH AMERICA INC., dba PROJECT FI
BY GOOGLE
8675 W. 96th St., Ste. 220
Overland Park, Kansas 66212

TRUPHONE INC.
8675 W. 96th St., Ste. 220
Overland Park, Kansas 66212

USA DIGITAL COMMUNICATIONS, INC.
8675 W. 96th Street, Suite 220
Overland Park, Kansas 66212

WANRACK LLC
25656 W. 97th St.
Lenexa, Kansas 66227

SPRINT SPECTRUM L.P. (SPRINT PCS)
6391 Sprint Parkway
MS: KSOPHT0101-Z2400
Overland Park, Kansas 66251

WIMACTEL, INC
13515 I Circle
Omaha, Nebraska 68137

BUDGET PREPAY, INC.
1325 Barksdale Blvd. - 200
Bossier City, Louisiana 71111

SECURUS TECHNOLOGIES, INC.
14651 Dallas Pkwy
Ste. 600
Dallas, Texas 75254

NETWORK INNOVATIONS, INC.
PO Box 720128
Oklahoma City, Oklahoma 73172

Judith Riley
ANPI BUSINESS, LLC
PO Box 720128
Oklahoma City, Oklahoma 73172-0128

TELECOM NORTH AMERICA INC.
PO Box 720128
Oklahoma City, Oklahoma 73172-0128

MOSAIC NETWORKX LLC
PO Box 720128
Oklahoma City, Oklahoma 73172-0128

THRESHOLD COMMUNICATIONS, INC.
PO Box 720128
Oklahoma City, Oklahoma 73172-0218

1 ENHANCED COMMUNICATIONS GROUP, LLC
 312 SE Delaware Avenue
 Bartlesville, Oklahoma 74005

2
 3 VERIZON SELECT SERVICES, INC.
 600 Hidden Ridge, HQE01G44
 Irving, Texas 75038

4
 5 AMERICATEL CORPORATION
 433 E. Las Colinas Blvd., Ste. 500
 Irving, Texas 75039

6
 7 MATRIX TELECOM, INC.
 433 Las Colinas Blvd. E, Ste. 500
 Irving, Texas 75039-5658

8
 9 AMERICAN MESSAGING SERVICES, LLC
 1720 Lakepointe Dr., Suite 100
 Lewisville, Texas 75057

10
 11 METROPCS OF CALIFORNIA, LLC
 2250 Lakeside Blvd.
 Richardson, Texas 75082

12
 13 WEST TELECOM SERVICES LLC
 3200 W. Pleasant Run Rd., Ste. 300
 Lancaster, Texas 75146

14
 15 HYPERCUBE TELECOM, LLC
 3200 W. Pleasant Run Rd. - 300
 Lancaster, Texas 75146

16
 17 TELECOM COMMUNICATIONS, LLC
 10440 North Central Expressway, Suite 700
 Dallas, Texas 75231

18
 19 COMMUNICATIONS INC.
 10440 N. Central Expressway - 700
 Dallas, Texas 75231

20
 21 NETWORKIP, LLC
 119 W. Tyler St., Ste. 100
 Longview, Texas 75601

22
 23 NETWORK COMMUNICATIONS
 INTERNATIONAL CORP.
 606 E. Magrill St.
 Longview, Texas 75601

24
 25 NETWORK OPERATOR SERVICES, INC.
 PO Box 3529
 Longview, Texas 75606

MERCURY VOICE AND DATA, LLC
 311 NNW Loop 323
 Tyler, Texas 75702

NEW CINGULAR WIRELESS PCS, INC.
 1010 N. St. Mary's, 9th Floor
 San Antonio, Texas 78215

SBC LONG DISTANCE, LLC DBA SBC LONG
 DISTANCE / AT&T LONG DI
 1010 N. St. Mary's Rm. 13-21
 San Antonio, Texas 78215

INMATE CALLING SOLUTIONS, LLC
 Attn: Ken Dawson
 2200 Danbury
 San Antonio, Texas 78217

SCOTT FERGUSON
 CEN-TEX PAY TELEPHONE CO., INC.
 101 Sterling Browning
 San Antonio, Texas 78232

OPERATOR SERVICE COMPANY, LLC
 6010 Exchange Pkwy
 San Antonio, Texas 78238

TELEQUALITY COMMUNICATIONS, INC.
 21232 Gathering Oaks, Suite 107
 San Antonio, Texas 78260

WESTEL, INC.
 12015 Park Thirty Five Circle, Ste. 208
 Austin, Texas 78753-1811

NTS COMMUNICATIONS INC
 1220 Broadway
 Lubbock, Texas 79401

FLAT WEST WIRELESS, LLC
 5225 S. Loop 289, Suite 128
 Lubbock, Texas 79424

TRANSTELCO INC.
 500 W. Overland Ave., Ste. 310
 El Paso, Texas 79901

TELEMANAGEMENT SYSTEMS, INC.
 8135 South Algonquian Circle
 Aurora, Colorado 80016

WILTEL COMMUNICATIONS, LLC
 1025 Eldorado Blvd.
 Broomfield, Colorado 80021

1 LEVEL 3 COMMUNICATIONS, LLC
 1025 Eldorado Blvd.
 Broomfield, Colorado 80021

2 Nancy McCarty
 3 BROADWING COMMUNICATIONS, LLC
 1025 Eldorado Boulevard
 4 Broomfield, Colorado 80021

5 GLOBAL CROSSING TELECOMMUNICATIONS,
 INC.
 6 1025 Eldorado Blvd.
 Broomfield, Colorado 80021

7 GLOBAL CROSSING LOCAL SERVICES, INC.
 8 1025 Eldorado Blvd.
 Broomfield, Colorado 80021

9 DISHNET WIRELINE, LLC
 10 9601 South Meridian Boulevard
 Englewood, Colorado 80112

11 COMCAST PHONE OF ARIZONA, LLC
 12 183 Inverness Drive West
 Englewood, California 80112

13 TW TELECOM OF ARIZONA, LLC
 14 10475 Park Meadows Drive
 Littleton, Colorado 80124

15 RELIANCE GLOBALCOM SERVICES, INC.
 16 2000 S. Colorado Blvd., Ste. 2-130
 Denver, Colorado 80222

17 INTRADO COMMUNICATIONS, INC.
 18 1601 Dry Creek Dr.
 Longmont, Colorado 80503

19 CENTRAL TELECOM LONG DISTANCE, INC.
 20 102 S. Tejohn Sreet, 11th Floor
 Colorado Springs, Colorado 80903

21 RURAL NETWORK SERVICES, INC.
 22 PO Box 7
 Midvale, Idaho 83645

23 John Stuart
 24 MIDVALE TELEPHONE COMPANY
 2205 Keithley Creek Road
 25 Midvale, Idaho 83645

26 INCONTACT, INC., DBA UCN, INC.
 27 75 W. Towne Ridge Parkway, Tower 1
 Sandy, Utah 84070

CCI NETWORK SERVICES, LLC
 155 North 400 West
 Suite 100
 Salt Lake City, Utah 84103

JIVE COMMUNICATIONS INC
 3214 North University Avenue, Suite 610
 Provo, Utah 84604

XO COMMUNICATIONS SERVICES, INC
 3930 East Watkins Street, Suite 200
 Phoenix, Arizona 85034

IMC/INFORMATION MANAGEMENT
 CONSULTANTS
 1630 E. Briarwood Terrace
 Phoenix, Arizona 85048

Kevin Knutson
 10807 North Sundown Dr.
 Scottsdale, Arizona 85060

MITEL NETSOLUTIONS, INC.
 1146 N. Alma School Rd.
 Mesa, Arizona 85201

GILA LOCAL EXCHANGE CARRIER
 Box 5015
 7065 W. Allison Rd.
 Chandler, Arizona 85226

THE I.T. WORKSHOP
 890 W. Elliot Rd., Suite 110
 Gilbert, Arizona 85233

RE-INVENT TELECOM, LLC
 10190 E. McKellips Rd.
 Scottsdale, Arizona 85256

TELESPHERE ACCESS, LLC
 9237 E. Via de Ventura, Ste. 250
 Scottsdale, Arizona 85258

BROADBAND DYNAMICS, LLC
 8757 E. Via De Commercio, 1st FL.
 Scottsdale, Arizona 85258

UNIVERSAL TELECOM
 10105 East Via Linda, Building 103
 Suite 103-244
 Scottsdale, Arizona 85258

LEAP FROG TELECOM, LLC, DBA VOICE
 TELECOM
 8426 E. Shea Blvd.
 Scottsdale, Arizona 85260

1 PAXX TELECOM, LLC
 2 PO Box 12637
 3 Scottsdale, Arizona 85267

4 CIO NOW, LLC
 5 PO Box 13241
 6 Scottsdale, Arizona 85267

7 CVC CLEC, LLC
 8 2922 S. Roosevelt St.
 9 Tempe, Arizona 85282

10 ASHLINE GROUP
 11 14231 N. 51st Dr.
 12 Glendale, Arizona 85306

13 ADG TELECOM, LLC
 14 13954 W. Waddell Rd., Suite 103-463
 15 Surprise, Arizona 85379

16 TRIPLET MOUNTAIN COMMUNICATIONS, INC.
 17 P.O. Box 779
 18 10 Telecom Ln. - 2
 19 Peridot, Arizona 85542

20 VALLEY CONNECTIONS, LLC
 21 P.O. Box 970
 22 Wilcox, Arizona 85644

23 WHITE MOUNTAIN COMMUNICATIONS, INC.
 24 PO Box 2329
 25 Pinetop, Arizona 85935

26 VALUTEL COMMUNICATIONS, INC., DBA
 27 VALUETEL COMMUNICATIONS
 28 PO Box 25663
 Albuquerque, New Mexico 87125

NATIONAL ACCESS LONG DISTANCE, INC.
 871 Coronado Center Dr. - 200
 Henderson, Nevada 89052

CONECTADO, INC.
 701 N. Green Valley Pkwy. - 200
 Henderson, Nevada 89074

AFFINITY NETWORK INCORPORATED, DBA
 QUANTUMLINK COMMUNICATIONS
 250 Pilot Rd., Ste. 300
 Las Vegas, Nevada 89119

U.S. TELECOM LONG DISTANCE INC.
 3960 Howard Hughes Pkwy.
 5th Floor #5001F
 Las Vegas, Nevada 89119

NOSVA LIMITED PARTNERSHIP
 DBA CIERRACOM SYSTEMS
 250 Pilot Rd., Ste. 300
 Las Vegas, Nevada 89119

Jessica Renneker
 NOS COMMUNICATIONS, INC
 250 Pilot Road
 Las Vegas, Nevada 89119

XYN COMMUNICATIONS, LLC
 8275 Eastern Ave. #200
 Las Vegas, Nevada 89123

NETWORK SERVICE BILLING, INC.
 7251 W. Lake Mead Blvd. - 300
 Las Vegas, Nevada 89128

WIDE VOICE, LLC
 410 S. Rampart St. - 390
 Las Vegas, Nevada 89145

CUSTOM TELECONNECT, INC.
 6242 W. Desert Inn Rd
 Las Vegas, Nevada 89146

COMMUNICATIONS NETWORK BILLING, INC.
 200 S. Virginia St. 8th Floor
 Reno, Nevada 89501

AMERICA NET, LLC
 3580 Wilshire Blvd, 17th Floor
 Los Angeles, California 90010

CURATEL, LLC
 1605 W. Olympic Blvd., - 800
 Los Angeles, California 90015

COMNET (USA) LLC
 700 S. Flower St. - 950
 Los Angeles, California 90017

TELMATE LLC
 10940 Wilshire Blvd., Ste. 2030
 Los Angeles, California 90024

NETWORK ENHANCED TECHNOLOGIES, INC.
 269 Beverly Dr., Ste. 1533
 Los Angeles, California 90212

LEGACY LONG DISTANCE INTERNATIONAL,
 INC.
 10833 Valley View St., Ste. 150
 Cypress, California 90630

1 ACADEMY OF BUSINESS LEADERSHIP
 444 Ocean Blvd, Suite 800
 2 Long Beach, California 90802-4529

3 TOTAL HOLDINGS, INC., dba GTC
 COMMUNICATIONS
 3777 Long Beach Blvd.- 300
 4 Long Beach, California 90807

5 Bruce Li
 OPEX COMMUNICATIONS, INC
 6 3777 Long Beach Boulevard, Suite 300
 Long Beach, California 90807

7 AIRNEX COMMUNICATIONS, INC.
 8 121 W. Lexington Dr.
 9 Glendale, California 91203-2203

10 AIRESRING INC.
 6060 Sepulveda Blvd.
 Suite 220
 11 Van Nuys , California 91411

12 ENHANCED COMMUNICATION NETWORK, INC.
 1031 S. Glendora Ave.
 13 West Covina, California 91790

14 NOBLETEL, LLC
 5973 Avenida Encinas - 202
 15 Carlsbad, California 92008

16 NORTH COUNTY COMMUNICATIONS
 CORPORATION
 17 3802 Rosencrans - 485
 18 San Diego, California 92110

19 SECURED RETAIL NETWORKS, INC.
 26000 Town Centre Drive, Ste. 100
 20 Foothill Ranch, California 92610

21 PACIFIC COMMUNICATIONS, LLC
 18655 Teller Ave.
 22 Irvine, California 92612-1610

23 CLEAR WORLD COMMUNICATIONS
 CORPORATION
 3843 S. Bristol St.
 24 Santa Ana, California 92704-7426

25 TNCI OPERATING COMPANY LLC
 114 E. Haley St. - A
 26 Santa Barbara, California 93101

27 WORKING ASSETS FUNDING SERVICE INC.
 101 Market St., Ste. 700
 28 San Francisco, California 94105

TTI NATIONAL, INC.
 201 Spear St., 7th Floor
 San Francisco, California 94105

GREENFLY NETWORKS, INC.
 450 Townsend Street
 San Francisco, California 94107

JAROTH, INC.
 2001 Crown Canyon Rd., Ste. 201
 San Ramon, California 94583

QUANTUMSHIFT COMMUNICATIONS, INC
 12657 Alcosta Blvd - 418
 San Ramon, California 94583

RIO VIRGIN TELEPHONE CO.
 DBA RELIANCE CONNECTS
 PO Box 189
 Estacada, Oregon 97023

Brenda Crosby
 CASCADE ACCESS, LLC
 303 SW Zobrist
 Estacada, Oregon 97023

CREDIT UNION WIRELESS, LLC
 PO Box 12398
 Salem, Oregon 97309

BUEHNER FRY, INC
 389 SW Scalehouse Court, Suite 100
 Bend, Oregon 97702

T-MOBILE WEST, LLC
 12920 SE 38th Street
 Bellevue, Washington 98006

ACCESSLINE COMMUNICATIONS
 CORPORATION
 3310 146th Place, S.E.
 Bellevue, Washington 98007

NAVAJO COMMUNICATIONS COMPANY, INC.
 1800 41st St.
 Everett, Washington 98203

Raymond Lee
 FRONTIER CITIZENS UTILITIES RURAL
 1800 41st Street
 Everett, Washington 98203

ESCHELON TELECOM OF ARIZONA, INC., DBA
 INTEGRA TELECOM
 18110 SE 34th St., Bldg One, Ste. 100
 Vancouver, Washington 98683

1 MOUNTAIN TELECOMMUNICATIONS OF
2 ARIZONA, INC.
3 18110 SE 34th St.
4 Bldg. 1, Ste. 100
5 Vancouver, Washington 98683

6 GOLD LINE TELEMAGEMENT, INC.
7 300 Allstate Pkwy
8 Markham, Ontario Canada L3R 0P2

9 Andy Kvesic, Director
10 Legal Division
11 ARIZONA CORPORATION COMMISSION
12 1200 West Washington Street
13 Phoenix, AZ 85007
14 LegalDiv@azcc.gov
15 utildivservicebyemail@azcc.gov
16 **Consented to Service by Email**
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EXHIBIT A

Arizona Administrative REGISTER

Notices of Proposed Rulemaking



- D. ~~At the completion of~~ A school shall ensure that when a student completes a course of instruction, the cumulative hours for ~~students~~ the student shall equal, at a minimum, ~~conform with R4-10-301, R4-10-302, R4-10-303, R4-10-304, R4-10-305, and R4-10-306~~ those specified in this Article, as applicable.
- E. No change
- F. No change
- G. No change
- H. No change
- I. No change
1. No change
2. No change
- J. No change
1. No change
2. No change

ARTICLE 4. SALONS

R4-10-403. Salon Requirements and Minimum Equipment

- A. No change
- B. No change
- C. ~~Each~~ A salon shall ~~have~~ ensure the salon has:
1. No change
2. If the salon is a cosmetology or hairstyling salon, ~~a minimum of at least~~ one shampoo bowl and one hair dryer, which ~~that~~ may be a blow dryer, ~~and if, and~~
3. If the salon is an aesthetics or nail technology salon, ~~a minimum of at least~~ one sink in addition to the restroom ~~or~~ and dispensary ~~sink sinks~~.
- D. ~~Aestheticians~~ A salon shall ensure aestheticians, cosmetologists, hairstylists, and nail technicians ~~shall~~ have enough equipment, materials, supplies, tools, and instruments to provide services, ~~ensure control~~ infection, ~~control at all times~~ and ~~disinfection~~ disinfect between clients.

R4-10-404. Mobile Services

- A. No change
1. A salon providing mobile cosmetology, hairstyling, nail technology, or aesthetics services shall ~~post~~ ensure licenses are posted as required ~~by~~ under R4-10-111.
2. No change
3. No change
4. No change
5. No change
- B. No change
1. No change
2. No change
3. No change
4. No change

NOTICE OF PROPOSED RULEMAKING

TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION

CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES

[R17-116]

PREAMBLE

<u>1. Article, Part, or Section Affected (as applicable)</u>	<u>Rulemaking Action</u>
R14-2-1201	Renumber
Part A	New Part
R14-2-A1201	New Section
R14-2-A1201	Renumber
R14-2-A1201	Amend
R14-2-1202	Renumber
R14-2-A1202	New Section
R14-2-A1202	Renumber
R14-2-A1202	Amend
R14-2-1203	Renumber
R14-2-A1203	New Section
R14-2-A1203	Renumber
R14-2-A1203	Amend
R14-2-1204	Renumber
R14-2-A1204	New Section
R14-2-A1204	Renumber



R14-2-A1204	Amend
R14-2-1205	Renumber
R14-2-A1205	New Section
R14-2-A1205	Renumber
R14-2-A1205	Amend
R14-2-1206	Renumber
R14-2-A1206	New Section
R14-2-A1206	Renumber
R14-2-A1206	Amend
R14-2-1207	Renumber
R14-2-A1207	New Section
R14-2-A1207	Renumber
R14-2-A1207	Amend
R14-2-1208	Renumber
R14-2-A1208	New Section
R14-2-A1208	Renumber
R14-2-A1208	Amend
R14-2-1209	Renumber
R14-2-A1209	New Section
R14-2-A1209	Renumber
R14-2-A1209	Amend
R14-2-1210	Renumber
R14-2-A1210	New Section
R14-2-A1210	Renumber
R14-2-A1210	Amend
R14-2-1211	Renumber
R14-2-A1211	New Section
R14-2-A1211	Renumber
R14-2-A1211	Amend
R14-2-1212	Renumber
R14-2-A1212	New Section
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R14-2-A1214	Amend
R14-2-1215	Renumber
R14-2-A1215	New Section
R14-2-A1215	Renumber
R14-2-A1215	Amend
R14-2-1216	Renumber
R14-2-A1216	New Section
R14-2-A1216	Renumber
R14-2-A1216	Amend
R14-2-1217	Renumber
R14-2-A1217	New Section
R14-2-A1217	Renumber
R14-2-A1217	Amend
Part B	New Section
R14-2-B1218	New Section
R14-2-B1219	New Section
R14-2-B1220	New Section
R14-2-B1221	New Section
R14-2-B1222	New Section
R14-2-B1223	New Section

2. Citations to the agency's statutory rulemaking authority to include the authorizing statute (general) and the implementing statute (specific):

Authorizing statute: Arizona Constitution, Article XV, § 3

Implementing statute: Arizona Constitution, Article XV, § 3. The Commission additionally has statutory authority to make the rule revisions pursuant to A.R.S. §§ 40-202, 40-203, and 40-322.



3. Citations to all related notices published in the Register as specified in R1-1-409(A) that pertain to the record of the proposed rule:

Notice of Emergency Rulemaking: 23 A.A.R. 865, April 21, 2017

Notice of Rulemaking Docket Opening: 23 A.A.R. 1906, July 14, 2017 (*in this issue*)

4. The agency's contact person who can answer questions about the rulemaking:

Name: Maureen Scott, Deputy Chief, Litigation/Appeals, Legal Division

Address: Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Telephone: (602) 542-3402

Fax: (602) 542-4870

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Name: Pamela Genung, Public Utilities Manager, Utilities Division

Address: Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Telephone: (602) 542-0664

Fax: (602) 542-2129

E-mail: pgenung@azcc.gov

Web site: azcc.gov

5. An agency's justification and reason why a rule should be made, amended, repealed or renumbered, to include an explanation about the rulemaking:

In April 2017 the Arizona Corporation Commission ("Commission") adopted, on an emergency basis, the rules that are subject of this proposed rulemaking. On June 13, 2017, the Commission directed its Staff to begin the regular rulemaking process to amend Title 14, Chapter 2, Article 12 of the Arizona Administrative Code, consistent with the rule changes previously made through the emergency rulemaking.

Adoption of the rules proposed herein on a permanent basis is intended to repeal the rules as adopted in the Emergency Rulemaking, effective March 29, 2017.

In partnership with the Department of Education, the Governor's Office, and the Arizona State Library and Archives, the Commission instituted a new program under the Arizona Universal Service Fund ("AUSF") to assist Arizona schools and libraries to fund the necessary broadband facilities to obtain broadband connectivity. The rules expand the AUSF to provide state matching funds for special construction projects as provided for under the Federal Communications Commission's ("FCC") E-rate Modernization Orders. The FCC's E-rate Modernization Orders allow qualifying schools and libraries to obtain, for a limited period of time, federal matching funds for broadband special construction project up to a certain amount, but only if state funds are provided. The federal program is of limited duration, and expedited action must be taken by the Commission to enable the remaining Arizona schools and libraries with limited or no internet connectivity to take advantage of the new program. The aggregate amount necessary to be collected through the AUSF for this program is approximately eight million dollars, and the funds would be distributed to qualifying schools and libraries for up to five years after an award is granted by the USAC, the federal universal service fund administrator.

If the rules are not formally adopted pursuant to the Arizona Administrative Procedures Act, Arizona schools and libraries will not be able to take advantage of this limited federal program and their broadband connectivity will be significantly delayed and potentially jeopardized due to the limited duration of the federal program. The rules are created in a new Part B to Article 12 that includes a purpose statement, definitions, steps to be taken by applicants, requirements for administration of the program and collection and disbursement of funds under the program, and the provisions relating to discontinuation of the program based upon the limited duration of the federal program. The existing AUSF rules will now be labeled Part A to Article 12.

6. A reference to any study relevant to the rule that the agency reviewed and proposes either to rely on or not to rely on in its evaluation of or justification for the rule, where the public may obtain or review each study, all data underlying each study, and any analysis of each study and other supporting material:

None

7. A showing of good cause why the rulemaking is necessary to promote a statewide interest if the rulemaking will diminish a previous grant of authority of a political subdivision of this state:

Not applicable

8. The preliminary summary of the economic, small business, and consumer impact:

The rules will impact customers of telecommunications service providers in Arizona, telecommunications service providers in Arizona, schools and libraries in Arizona (primarily in rural areas), the Arizona Department of Education, the Administrator of the AUSF and the Commission.

The Arizona Department of Education may see an increase in personnel time expended due to an increase in the number of special construction project requests to be processed and reviewed, but will further its mission in ensuring that every student has access to an excellent education. The Commission also may see an increase in personnel time expended for the AUSF program. Private, business, and government customers of telecommunications service providers will experience a small increase in their monthly



AUSF surcharge in order to fund the approved special construction projects, but are all expected to benefit from increased broadband connectivity for schools and libraries, which should result in enhanced educational quality and a larger and stronger workforce. The Administrator of the AUSF, Solix, Inc., will see an increase in personnel time expended for administration of the AUSF program for the duration of the E-rate Broadband Special Construction Project Matching Fund Program. Businesses involved in construction of broadband infrastructure or the provision of broadband services are likely to see an increase in business as a result of new construction projects, particularly in rural areas.

The Commission is unaware of any less intrusive or less costly alternative methods of achieving the purpose.

9. The agency's contact person who can answer questions about the economic, small business and consumer impact statement:

Name: Maureen Scott, Deputy Chief, Litigation/Appeals, Legal Division
 Address: Arizona Corporation Commission
 1200 W. Washington St.
 Phoenix, AZ 85007
 Telephone: (602) 542-3402
 Fax: (602) 542-4870
 E-mail: mscott@azcc.gov
 Web site: azcc.gov

Name: Pamela Genung, Public Utilities Manager, Utilities Division
 Address: Arizona Corporation Commission
 1200 W. Washington St.
 Phoenix, AZ 85007
 Telephone: (602) 542-0664
 Fax: (602) 542-2129
 E-mail: pgenung@azcc.gov
 Web site: azcc.gov

10. The time, place, and nature of the proceedings to make, amend, repeal, or renumber the rule, or if no proceeding is scheduled, where, when, and how persons may request an oral proceeding on the proposed rule:

The Commission has scheduled the following oral proceeding for public comments:

Date: August 14, 2017
 Time: 10:00 a.m.
 Location: Arizona Corporation Commission
 Hearing Room 1
 1200 W. Washington St.
 Phoenix, AZ 85007
 Nature: Oral proceeding

The Commission requests that written comments concerning the Notice of Proposed Rulemaking be filed by July 24, 2017, and that written reply comments be filed by August 3, 2017 for discussion at the oral proceeding. The Commission will also accept comments, written or otherwise, through August 14, 2017, the date of the oral proceeding. Written comments may be filed with the Commission's Docket Control at the address listed above. Please refer to Docket No. RT-00000H-97-0137 on all documents.

11. All agencies shall list other matters prescribed by statute applicable to the specific agency or to any specific rule or class of rules. Additionally, an agency subject to Council review under A.R.S. §§ 41-1052 and 41-1055 shall respond to the following questions:

None

a. Whether the rule requires a permit, whether a general permit is used and if not, the reasons why a general permit is not used:

The rules do not require issuance of a regulatory permit, license or agency authorization.

b. Whether a federal law is applicable to the subject of the rule, whether the rule is more stringent than federal law and if so, citation to the statutory authority to exceed the requirements of federal law:

The rule is no more stringent than Federal Communications Commission rules. (47 CFR. 63.04)

c. Whether a person submitted an analysis to the agency that compares the rule's impact of the competitiveness of business in this state to the impact on business in other states:

No

12. A list of any incorporated by reference material as specified in A.R.S. § 41-1028 and its location in the rules:

47 CFR 54.500 (October 1, 2016), adopted in R14-2-B1219(1)
 47 CFR 54.5 (October 1, 2016), adopted in R14-2-B1219(3)

13. The full text of the rules follows:



**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION**

CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES

ARTICLE 12. ARIZONA UNIVERSAL SERVICE FUND

Section

- R14-2-1201. Definitions Renumbered
- R14-2-1202. Calculation of AUSF Support Renumbered
- R14-2-1203. Request for AUSF Support Renumbered
- R14-2-1204. Funding of the AUSF Renumbered
- R14-2-1205. Calculation of Surcharges Renumbered
- R14-2-1206. Implementation Renumbered
- R14-2-1207. Calculation of Monthly Payments and the Associated Collections Renumbered
- R14-2-1208. Monthly AUSF Disbursements Renumbered
- R14-2-1209. Procedures for Handling AUSF Rate Changes Renumbered
- R14-2-1210. Statement of Participation of All Telecommunications Service Providers in the AUSF Renumbered
- R14-2-1211. Duties and Responsibilities of the AUSF Administrator Renumbered
- R14-2-1212. Interim Administrator Renumbered
- R14-2-1213. Guidelines for Auditing the AUSF Renumbered
- R14-2-1214. Enforcement of Collection of Delinquent AUSF Amounts Renumbered
- R14-2-1215. AUSF Annual Report Renumbered
- R14-2-1216. Review Process Renumbered
- R14-2-1217. Supersession of Existing USF Mechanism Renumbered

PART A. HIGH COST FUND

Section

- R14-2-1201R14-2-A1201. Definitions
- R14-2-1202R14-2-A1202. Calculation of AUSF Support
- R14-2-1203R14-2-A1203. Request for AUSF Support
- R14-2-1204R14-2-A1204. Funding of the AUSF
- R14-2-1205R14-2-A1205. Calculation of Surcharges
- R14-2-1206R14-2-A1206. Implementation
- R14-2-1207R14-2-A1207. Calculation of Monthly Payments and the Associated Collections
- R14-2-1208R14-2-A1208. Monthly AUSF Disbursements
- R14-2-1209R14-2-A1209. Procedures for Handling AUSF Rate Changes
- R14-2-1210R14-2-A1210. Statement of Participation of All Telecommunications Service Providers in the AUSF
- R14-2-1211R14-2-A1211. Duties and Responsibilities of the AUSF Administrator
- R14-2-1212R14-2-A1212. Interim Administrator
- R14-2-1213R14-2-A1213. Guidelines for Auditing the AUSF
- R14-2-1214R14-2-A1214. Enforcement of Collection of Delinquent AUSF Amounts
- R14-2-1215R14-2-A1215. AUSF Annual Report
- R14-2-1216R14-2-A1216. Review Process
- R14-2-1217R14-2-A1217. Supersession of Existing USF Mechanism

PART B. ARIZONA UNIVERSAL SERVICE SUPPORT FOR SCHOOLS AND LIBRARIES

Section

- R14-2-B1218. Purpose
- R14-2-B1219. Definitions
- R14-2-B1220. Availability of State Matching Funds for Special Construction Projects to Deploy Broadband
- R14-2-B1221. Procedures for Requesting State Matching Funds
- R14-2-B1222. Administrator Responsibilities; Contributions to and Disbursements from the AUSF
- R14-2-B1223. Discontinuation of E-rate Broadband Special Construction Project Matching Fund Program

ARTICLE 12. ARIZONA UNIVERSAL SERVICE FUND

R14-2-1201. Definitions Renumbered

In this Article, unless the context otherwise requires, the following definitions shall apply:

1. "Administrator" is the person designated pursuant to R14-2-1212 to administer the AUSF and perform the functions required by this Article.
2. "Arizona Corporation Commission" or "Commission." The regulatory agency of the state of Arizona having jurisdiction over public service corporations operating in Arizona.
3. "Arizona Universal Service Fund" or "AUSF" is the funding mechanism established by this Article through which surcharges are collected and support paid in accordance with this Article.
4. "AUSF Support" is the amount of money, calculated pursuant to this Article, which a provider of basic local telephone exchange service is eligible to receive from the AUSF pursuant to this Article.



5. "AUSF Support Area" is the geographic area for which a local exchange carrier's eligibility to receive AUSF support is calculated.
6. "Basic local exchange telephone service" is telephone service that provides the following features:
 - a. Access to 1-party residential service with a voice grade line;
 - b. Access to touchtone capabilities;
 - c. Access to an interexchange carrier;
 - d. Access to emergency services, including but not limited to emergency 911;
 - e. Access to directory assistance service;
 - f. Access to operator service;
 - g. Access to a white page or similar directory listing; and
 - h. Access to telephone relay systems for the hearing and speech impaired.
7. "Benchmark rates" for a telecommunications services provider are those rates approved by the Commission for that provider for basic local exchange telephone service, plus the Customer Access Line Charge approved by the Federal Communications Commission.
8. "Commercial Mobile Radio Service" is any radio communication service carried on between mobile stations or receivers and land stations, or by mobile stations communicating among themselves, that is provided for profit and that makes available to the public service that is connected to the public switched network.
9. "Conversion Factor" is a multiplier that is used to convert a quantity of interconnecting trunks for both wireless and wireline customers into equivalent access lines, for the sole purpose of developing Category 1 surcharges. The value of the Conversion Factor shall be 10 until completion of the review provided for in R14-2-1216.
10. "Interconnecting Trunk" is a 1-way or 2-way voice grade or equivalent voice grade switched message transmission channel furnished by a local switched access provider to a provider of wireless services or to a wireline customer of such local switched access provider to interconnect the provider of wireless services or wireline customer to the public switched network.
11. "Intermediate Local Exchange Carriers" are incumbent providers of basic local exchange telephone service with more than 20,000 access lines but fewer than 200,000 access lines in Arizona.
12. "Large Local Exchange Carriers" are incumbent providers of basic local exchange telephone service serving 200,000 or more access lines in Arizona.
13. "Small Local Exchange Carriers" are incumbent providers of basic local exchange telephone service with 20,000 or fewer access lines in Arizona.
14. "Total Service Long Run Incremental Cost" is the total additional cost incurred by a telecommunications company to produce the entire quantity of a service, given that the telecommunications company already provides all of its other services. Total Service Long Run Incremental Cost is based on the least cost, most efficient technology that is capable of being implemented at the time the decision to provide the service is made.
15. "U.S. Census Blocks" are geographic areas defined by the U.S. Department of Commerce. The areas, which define the way in which census data is aggregated, generally contain between 250 and 550 housing units.

R14-2-1202. Calculation of AUSF Support Renumbered

- A. The amount of AUSF support to which a provider of basic local exchange telephone service is eligible for a given AUSF support area shall be based upon the difference between the benchmark rates for basic local exchange telephone service provided by the carrier, and the appropriate cost to provide basic local exchange telephone service as determined by the Commission, net of any universal service support from federal sources.
- B. For a small local exchange carrier, the AUSF support area shall include all exchanges served by the local exchange carrier in Arizona. The appropriate cost of providing basic local exchange telephone service for purposes of determining AUSF support for a small local exchange carrier shall be the embedded cost of the incumbent provider. For any request for AUSF support by a small local exchange carrier filed more than three years after the effective date of this Article, the AUSF support area shall be the geographic areas as determined by the Commission.
- C. For an intermediate local exchange carrier, the AUSF support area shall be either all exchanges in Arizona served by that carrier, or such other support area as may be approved by the Commission. The appropriate cost of providing basic local exchange telephone service for purposes of determining AUSF support for an intermediate local exchange carrier shall be the embedded cost of the incumbent provider. For any request for AUSF support by an intermediate local exchange carrier filed more than three years after the effective date of this Article, the AUSF support area shall be geographic areas as determined by the Commission, and the appropriate cost of providing basic local exchange telephone service for purposes of determining AUSF support shall be the Total Service Long Run Incremental Cost of the incumbent provider. In the event that the FCC adopts a somewhat different forward-looking costing methodology and/or a different geographic study/support area for the Federal universal service fund program, a local exchange carrier may request a waiver from this rule in order to utilize the same cost study methodology and/or geographic study areas in both jurisdictions.
- D. For a large local exchange carrier, the AUSF support area shall be U.S. census block groups, and the appropriate cost of providing basic local exchange telephone service for purposes of determining AUSF support shall be the Total Service Long Run Incremental Cost. In the event that the FCC adopts a somewhat different forward-looking costing methodology and/or a different geographic study/support area for the Federal universal service fund program, a local exchange carrier may request a waiver from this rule in order to utilize the same cost study methodology and/or geographic study areas in both jurisdictions. Any request for AUSF support by a large local exchange carrier shall include a Total Service Long Run Incremental Cost study, or cost study based on FCC adopted methodology, of basic local exchange service. The cost study shall be developed and presented in a manner that identifies the cost for the individual support areas for which AUSF funding is being requested.

R14-2-1203. Request for AUSF Support Renumbered



A provider of basic local exchange telephone service may request that the Commission authorize AUSF support with a filing under R14-2-103 or other method as the Commission may prescribe, and upon compliance with all applicable rules set forth in R14-2-1101 through R14-2-1115. A request for AUSF support shall include a statement describing the need for such funding. The Commission shall determine the appropriate cost of providing basic local exchange service for each AUSF support area for which AUSF support is requested and shall calculate in accordance with R14-2-1202 the amount of AUSF support, if any, to which the applicant is entitled.

R14-2-1204. Funding of the AUSF Renumbered

- A.** The AUSF shall be funded in accordance with this Article by all telecommunications service providers that interconnect to the public switched network. Within 30 days of the effective date of this Article, and thereafter on or before October 1 of each year, each telecommunications provider shall provide to the Administrator a list of all other telecommunications providers that interconnect to its facilities or network.
- B.** The AUSF shall be funded equally by toll and local customers of the providers of telecommunications services, and shall be assessed in the following manner:
1. **Category 1**—Providers of basic local exchange service, as discussed in R14-2-1204(B)(1)(a), and other service providers as required under R14-2-1204(B)(1)(a)(i) or permitted under R14-2-1204(B)(3)(b), shall be considered providers of Category 1 service:
 - a. One-half of the AUSF funding requirement will be collected through Category 1 service providers. Category 1 AUSF assessment will be based upon access lines and interconnecting trunks, and assessed by providers of local switched access as either an access line or interconnecting trunk surcharge. The “per access line” surcharge to be in place during a given year will be calculated by the Administrator using the total number of access lines and equivalent access lines deriving from interconnecting trunks that were in service for all Category 1 service providers on October 1 of the previous year. Access lines shall include business and residence lines, public access lines, and other identifiable access lines. All wireless providers including but not limited to paging and other Commercial Mobile Radio Service providers, that interconnect to the public switched network will contribute to the AUSF under the requirements of Category 1. The number of interconnecting trunks obtained from the local access provider by the wireless provider shall be utilized in conjunction with a Conversion Factor to determine AUSF support from such wireless provider by means of a surcharge on such interconnecting trunks. A wireless provider that fails to contribute to the AUSF as required by this Article shall be subject to termination of its interconnection arrangements pursuant to R14-2-1214(C).
 - b. On or before November 1 of each year, each Category 1 local switched access service provider shall provide to the Administrator the number of access lines and number of interconnecting trunks that were in service on October 1 of that year. The Administrator will use these numbers together with the Conversion Factor in calculating the per access line surcharge and per interconnecting trunk surcharge for the following year. The Administrator will multiply the total number of interconnecting trunks by the Conversion Factor to obtain an equivalent number of access lines for the purpose of calculating the surcharges.
 2. **Category 2**—Providers of intrastate toll service, or other service providers as permitted under R14-2-1204(B)(3), shall be considered providers of Category 2 service and shall be assessed AUSF charges as follows:
 - a. One-half of the AUSF funding requirement will be collected through Category 2 service providers. The Category 2 AUSF assessment will be based on total Arizona intrastate toll revenue, and assessed as a percent of revenue. The percent of revenue assessment to be in place during a given year will be calculated by the Administrator using the annual Arizona intrastate revenue for all Category 2 service providers for the previous year.
 - b. On or before November 1 of each year, each Category 2 service provider shall report to the Administrator the total Arizona intrastate revenue collected between August 1 of the current year and August 1 of the previous year. The Administrator will use this revenue so reported to calculate the AUSF assessment rate for the following year.
 3. **New telecommunications service providers:**
 - a. Telecommunications providers that begin providing basic local exchange service after the effective date of this Article shall be assessed AUSF charges pursuant to R14-2-1204(B)(1). Telecommunications providers that begin providing toll service after the effective date of this Article shall be assessed AUSF charges pursuant to R14-2-1204(B)(2).
 - b. All other telecommunications service providers that interconnect to the public switched network and begin providing telecommunications service after the effective date of this Article, shall choose to be considered either a Category 1, Category 2, or both Category 1 and Category 2 service provider. Such election shall be made in writing to the Administrator within 30 days of beginning to provide telecommunications service in Arizona, with a copy to the Director of Utilities. Written concurrence of the Director of Utilities must be received by the Administrator for such selection to be effective. Such selection will be irrevocable for a period of at least three years.
 4. A telecommunications provider that provides both Category 1 and Category 2 services shall be assessed AUSF charges pursuant to both R14-2-1204(B)(1) and R14-2-1204(B)(2).

R14-2-1205. Calculation of Surcharges Renumbered

- A.** The Administrator will calculate the total AUSF support due all local exchange carriers who have been granted AUSF support by the Commission. Administrative costs and audit fees will be added to this amount. The amount of any excess funds in the AUSF will then be subtracted to determine the total funding requirement. The funding requirements from Category 1 and Category 2 service providers will then be calculated. One-half of the funding will be obtained from Category 1 providers through surcharges applied to access lines and interconnecting trunks in service. The other half will be obtained from Category 2 providers through surcharges on intrastate toll revenues.
- B.** For the purpose of determining the surcharges, the Administrator will develop growth factors to apply to the total reported access lines and toll revenues. Such growth factors will be calculated at 1/2 of the estimated annual percentage growth in access lines and toll revenues.



- C.** Category 1 Surcharge. One-half of the total annual AUSF support approved by the Commission for all eligible recipients will be obtained from Category 1 service providers. A monthly per access line surcharge and a monthly per interconnecting trunk surcharge required to obtain this funding will be calculated as follows:
1. Adding together the number of access lines and equivalent access lines for all Category 1 service providers, adjusted by the growth factor;
 2. Dividing the total annual AUSF support approved by the Commission for all eligible recipients by 2 to obtain the portion of AUSF support required from Category 1 service providers;
 3. Dividing the amount of Category 1 AUSF support calculated in subsection (C)(2) by the sum of access lines calculated in subsection (C)(1) to yield the per access line surcharge;
 4. Dividing the per access line surcharge calculated in subsection (C)(3) by 12 to determine the monthly access line assessment;
 5. Multiplying the surcharge obtained in subsection (C)(4) by the Conversion Factor to determine the monthly interconnecting trunk surcharge.
- D.** Category 2 Surcharge. One-half of the total annual AUSF support approved by the Commission for all eligible recipients will be obtained from Category 2 service providers. A percent of revenue surcharge required to obtain this funding will be calculated as follows:
1. Totalling the annual intrastate toll revenues of all Category 2 service providers, adjusted by the growth factor;
 2. Dividing the total AUSF support approved by the Commission for all eligible recipients by 2 to obtain the portion of AUSF support required from Category 2 service providers;
 3. Dividing the amount of Category 2 AUSF support requirement calculated in subsection (D)(2) by the total annual intrastate toll revenues calculated in subsection (D)(1) to arrive at a percentage of revenue surcharge.
- E.** Recipients of lifeline or other low-income support shall be exempt from paying a Category 1 surcharge.

R14-2-1206. Implementation Renumbered

- A.** Any provider of telecommunications service may file either an AUSF tariff or price list, if appropriate, establishing a flow-through mechanism to collect the surcharge approved by the Commission and calculated by the Administrator.
- B.** On or before the 20th day of each month, each Category 1 service provider responsible for collecting AUSF surcharges shall remit to the Administrator the AUSF surcharge, including any surcharge on wireless providers, collected by that provider during the preceding month. The Category 1 provider shall submit such documentation of AUSF revenues from the AUSF surcharge as may be required by the Administrator.
- C.** On or before the 20th day of each month, each Category 2 service provider responsible for collecting AUSF surcharges shall remit to the Administrator the AUSF surcharge collected by that provider during the third preceeding month. The Category 2 provider shall submit such documentation of AUSF revenues from the AUSF surcharge as may be required by the Administrator.
- D.** Eligible recipients of AUSF support are:
1. Providers of telecommunications service engaged in providing basic local exchange telephone service in Arizona which have obtained a Commission order authorizing payments from the AUSF; and
 2. Providers that become entitled to AUSF support based upon the provisions of R14-2-1206(E).
- E.** If the Commission approves AUSF support to a provider of telecommunications service for a defined area, such AUSF support shall also be available to competitive providers of basic local exchange service in the same defined area that are contributing to the AUSF, and that are willing to provide service to all customers in the specific AUSF support area as defined by the Commission. The AUSF support to which the competitive provider is eligible shall be calculated on a per-customer basis, at the same level at which the incumbent provider of telecommunications service receives AUSF support, and shall not result in an increase in the total AUSF support available for the specific census block groups or study area. If basic exchange service is provided through the resale of another carrier's local loop facilities, AUSF support will only be available to the retail service provider if AUSF support is not included in the wholesale price for the resold local service. This Section shall not apply to small local exchange carriers nor to the universal service support being received by any telecommunications service provider as of the effective date of this Article.
- F.** For small local exchange carriers and for any basic local exchange telephone service provider receiving universal service support as of the effective date of this Article, the AUSF support shall not be available to competitive providers of basic local exchange service prior to completion of the review provided for in R14-2-1216. Following completion of the review, AUSF support provided to small and intermediate local exchange carriers shall be available to all competitive providers of basic local exchange service in the same defined area that are contributing to AUSF, and that are willing to provide service to all customers in the specific geographic study area as defined by the Commission, unless otherwise ordered by the Commission.
- G.** Defined area, study area, geographic area, and support area mean the same area during the first three years of the effective date of this Article. After the first three years, they will still have the same meaning unless otherwise ordered by the Commission.

R14-2-1207. Calculation of Monthly Payments and the Associated Collections Renumbered

- A.** For the monthly Category 1 AUSF payment, each provider of local switched access shall remit to the Administrator an amount equal to the number of access lines in service on the first day of the month, times the monthly surcharge per access line plus the number of interconnecting trunks in service on the first day of the month, times the monthly interconnecting trunk surcharge.
- B.** The monthly AUSF payment that each Category 2 provider shall remit to the Administrator is an amount equal to its monthly intrastate toll revenue times the monthly surcharge percentage.
- C.** Payments must be received by the Administrator by the 20th day of each month. If the payment amount is greater than \$10,000, then it shall be wire transferred to the Administrator.
- D.** The Administrator shall enter into an appropriate non-disclosure agreement with each telecommunications service provider to assure that information necessary to allocate AUSF funding obligations and to calculate surcharges is reported, maintained, and used in a

manner that will protect the confidentiality of company specific data. The Administrator shall not use confidential data for any purpose other than administering the AUSF.

R14-2-1208. Monthly AUSF Disbursements Renumbered

- A. AUSF disbursement shall be made 30 days following the date of AUSF collections.
- B. The Administrator shall not make AUSF support payments to a provider of telecommunications service until the Administrator has received a copy of a Commission decision authorizing the provider to receive such support.

R14-2-1209. Procedures for Handling AUSF Rate Changes Renumbered

- A. Category 1 and Category 2 AUSF surcharges shall be revised when the Commission authorizes new or revised AUSF payments to any provider of telecommunications service. The Administrator shall calculate the new AUSF flow-through surcharges in accordance with this Article, which surcharges shall become effective upon the Commission's approval of the new or revised AUSF payments.
- B. An annual calculation to revise AUSF flow-through surcharges shall be made by the Administrator on December 1 of each year with an effective date the following January 1. The flow-through surcharges shall be calculated so that the total AUSF funding will equal the AUSF revenue requirements, plus administrative costs as well as any corrections and true-ups. No later than December 1 of each year, the Administrator shall provide notice to the Commission and all telecommunication service providers who pay into the AUSF of the flow-through surcharge rates for the following calendar year.

R14-2-1210. Statement of Participation of All Telecommunications Service Providers in the AUSF Renumbered

- A. Within 30 days of the effective date of this Article, each telecommunications service provider shall provide a letter to the Administrator acknowledging that provider's obligation under this Article to pay AUSF surcharges. Failure to provide such a letter shall be grounds for termination after written notice from the Administrator of the provider's interconnection with the public switched network.
- B. Any telecommunications service provider which begins providing telecommunications service after the effective date of this Article shall, within 30 days of beginning to provide intrastate service in Arizona, provide a letter to the Administrator acknowledging that provider's obligation under this Article to make monthly payments for the local and/or toll portion, as appropriate, of the AUSF contribution in accordance with this Article. Failure to provide such a letter shall be grounds for denying to the provider interconnection with the public switched network.

R14-2-1211. Duties and Responsibilities of the AUSF Administrator Renumbered

The Administrator shall:

1. Develop, obtain, and, on or before December 15 of each year, file with the Commission such information and documentation as the Administrator deems necessary for the establishment and calculation of the Category 1 and Category 2 surcharges for the succeeding year. Such a filing shall also be made each time the Commission authorizes a change in the AUSF funding requirement.
2. Monitor the AUSF payments of all telecommunications providers.
3. Oversee the billing of AUSF surcharges.
4. Prepare the necessary forms to be used in reporting the AUSF collections and disbursements and maintain monthly records.
5. Coordinate the collection and disbursement of AUSF monies in accordance with this Article.
6. Prepare an annual report that provides a detailed accounting of the AUSF collections and disbursements and that identifies the annual cost of administration. The report shall be filed with the Commission on or before April 15 of each year.
7. Monitor procedures for auditing the AUSF collections and disbursements. The audit function shall be performed by an independent outside auditor.

R14-2-1212. Interim Administrator Renumbered

US WEST Communications, Inc., will serve as interim Administrator of the AUSF and will perform the functions detailed herein that are required of the Administrator for a transition period until a private, neutral third party is appointed by the Commission to serve as Administrator of the AUSF. A neutral third party selected through the competitive bid process shall be appointed no later than July 1, 1997.

R14-2-1213. Guidelines for Auditing the AUSF Renumbered

- A. The AUSF records covering both collections and disbursements shall be audited at the end of the first year following the designation of a third party administrator. The AUSF records will then be audited at least once every other year in the subsequent years of operations.
- B. The records shall be examined for accuracy and the existence of effective internal controls to ensure that the AUSF is being administered appropriately and properly.
- C. An independent external auditor selected by the Commission shall be utilized to provide an unbiased audit opinion concerning the AUSF administration procedures and controls.
- D. Any costs for conducting audits will be deducted from the revenues of the AUSF prior to disbursement of funds.

R14-2-1214. Enforcement of Collection of Delinquent AUSF Amounts Renumbered

- A. The Administrator shall issue past due notices to each provider of telecommunications service that is 15 days or more delinquent in submitting its AUSF payments to the Administrator. A copy of this notice shall be provided to the Commission.
- B. AUSF support payments shall be withheld from any provider of telecommunications service that is delinquent in submitting its AUSF payments to the Administrator. Each provider of telecommunications service will be fully liable for any accrued interest owing on its AUSF contributions that remain unpaid for 30 days. Such delinquent AUSF payments will begin accruing interest at the rate of 1 and 1/2% per month beginning with the 31st day until such amount is paid in full along with all accrued interest.
- C. The local switched access service provider shall promptly notify the Commission and the Administrator of the identity of any wireless provider which fails or refuses to pay its AUSF surcharge. Such notice shall also be directed to the wireless provider. If the wireless provider has not paid the amount due within 30 days of such notice, the interconnection provider shall terminate the wireless



provider's interconnection until the full amount together with all accrued interest, is paid in full (unless the payment is in bonafide dispute and the wireless carrier has paid the undisputed amount).

- D. Failure by a telecommunications service provider to comply with the provisions of this Article may result in sanctions as determined by the Commission.

R14-2-1215. ~~AUSF Annual Report~~ Renumbered

- A. On or before April 1 of each year, the Administrator shall file with the Commission an annual report which shall summarize the preceding year activity and contain the following:
1. A statement of AUSF collections and disbursements.
 2. A record of the total cost of administration of the AUSF.
 3. Audit reports from the audits conducted during the year.
- B. A copy of the annual report shall be provided to each provider of telecommunications service who contributes to the AUSF.

R14-2-1216. ~~Review Process~~ Renumbered

- A. Not later than three years from the effective date of this Article, the Commission staff shall initiate a comprehensive review of this Article and shall provide the Commission with recommendations regarding any necessary changes to the Article. Any interested party may also make such recommendations. The Commission shall consider these recommendations in such proceeding as the Commission deems appropriate.
- B. The costs used to calculate AUSF funding levels for a given provider or AUSF support area shall be reviewed by the Commission at least every three years following the effective date for any authorized AUSF support for the provider or study area. The Commission may reduce the authorized funding level and require that the AUSF surcharge be recalculated on the basis of this review.

R14-2-1217. ~~Supersession of Existing USF Mechanism~~ Renumbered

The universal service funding mechanism initially approved by the Commission in Decision No. 56639 (September 22, 1989) is superseded by this Article, except that any calculation, contribution or collection of, or entitlement to, universal service fund support approved by the Commission prior to the adoption of this Article shall remain in effect until otherwise ordered by the Commission or until the application of this Article leads to a different result.

PART A. HIGH COST FUND

~~R14-2-1201~~ R14-2-A1201. Definitions

In this ~~Article Part~~, unless the context otherwise requires, the following definitions shall apply:

1. No change
2. No change
3. No change
4. "AUSF Support" is the amount of money, calculated pursuant to this ~~Article Part~~, which a provider of basic local telephone exchange service is eligible to receive from the AUSF pursuant to this ~~Article Part~~.
5. No change
6. No change
 - a. No change
 - b. No change
 - c. No change
 - d. No change
 - e. No change
 - f. No change
 - g. No change
 - h. No change
7. No change
8. No change
9. No change
10. No change
11. No change
12. No change
13. No change
14. No change
15. No change

~~R14-2-1202~~ R14-2-A1202. Calculation of AUSF Support

- A. No change
- B. No change
- C. No change
- D. No change

~~R14-2-1203~~ R14-2-A1203. Request for AUSF Support

No change

~~R14-2-1204~~ R14-2-A1204. Funding of the AUSF

- A. No change
- B. No change
 1. No change



- a. No change
- b. No change
- 2. No change
 - a. No change
 - b. No change
- 3. No change
 - a. No change
 - b. No change
- 4. No change

~~R14-2-1205~~ R14-2-A1205. Calculation of Surcharges

- A. No change
- B. No change
- C. No change
 - 1. No change
 - 2. No change
 - 3. No change
 - 4. No change
 - 5. No change
- D. No change
 - 1. No change
 - 2. No change
 - 3. No change
- E. No change

~~R14-2-1206~~ R14-2-A1206. Implementation

- A. No change
- B. No change
- C. No change
- D. No change
 - 1. No change
 - 2. No change
- E. No change
- F. No change
- G. No change

~~R14-2-1207~~ R14-2-A1207. Calculation of Monthly Payments and the Associated Collections

- A. No change
- B. No change
- C. No change
- D. No change

~~R14-2-1208~~ R14-2-A1208. Monthly AUSF Disbursements

- A. No change
- B. No change

~~R14-2-1209~~ R14-2-A1209. Procedure for Handling AUSF Rate Changes

- A. No change
- B. No change

~~R14-2-1210~~ R14-2-A1210. Statement of Participation of All Telecommunications Service Providers in the AUSF

- A. No change
- B. No change

~~R14-2-1211~~ R14-2-A1211. Duties and Responsibilities of the AUSF Administrator

- No change
 - 1. No change
 - 2. No change
 - 3. No change
 - 4. No change
 - 5. No change
 - 6. No change
 - 7. No change

~~R14-2-1212~~ R14-2-A1212. Interim Administrator

No change

~~R14-2-1213~~ R14-2-A1213. Guidelines for Auditing the AUSF



- A. No change
- B. No change
- C. No change
- D. No change

R14-2-1214-R14-2-A1214, Enforcement of Collection of Delinquent AUSF Amounts

- A. No change
- B. No change
- C. No change
- D. No change

R14-2-1215-R14-2-A1215, AUSF Annual Report

- A. No change
 - 1. No change
 - 2. No change
 - 3. No change
- B. No change

R14-2-1216-R14-2-A1216, Review Process

- A. No change
- B. No change

R14-2-1217-R14-2-A1217, Supersession of Existing USF Mechanism

No change

PART B. ARIZONA UNIVERSAL SERVICE SUPPORT FOR SCHOOLS AND LIBRARIES**R14-2-B1218, Purpose**

The purpose of the E-rate Broadband Special Construction Project Matching Fund Program is to provide state funds for special construction projects involving the deployment of broadband to schools and libraries in Arizona so that Arizona schools and libraries may obtain federal matching funds under the FCC Universal Service Fund's Schools and Libraries Program. This Part shall be interpreted to maximize the availability of internet access to schools and libraries within Arizona and to maximize potential support from the FCC Universal Service Fund's Schools and Libraries Program to fill any connectivity gap in Arizona.

R14-2-B1219, Definitions

In this Part, unless the context otherwise requires, the following definitions shall apply:

1. The definitions contained in 47 CFR 54.500 (October 1, 2016), with no future editions or amendments, which are incorporated by reference; on file with the Commission; and published by and available from the U.S. Government Publishing Office, 732 North Capitol Street, NW, Washington, DC 20401-0001 and at <https://www.gpo.gov/fdsys/>;
2. The definitions in R14-2-A1201, to the extent applicable; and
3. The following definitions:
 - a. "Applicant" is a school, library, consortium, or other eligible entity that requests AUSF funds as provided in this Part.
 - b. "Arizona Universal Service Broadband Special Construction Project Matching Fund" is the fund in Arizona that will make available to applicants matching state funds for Category 1 special construction costs in order to obtain up to an additional 10 percent discount from the federal universal fund.
 - c. "Category 1 services" are services used to connect broadband or internet to eligible locations or that provide basic conduit access to the internet, including "telecommunications services," "telecommunications," and "internet access" as defined in 47 CFR 54.5 (October 1, 2016), with no future editions or amendments, which is incorporated by reference; on file with the Commission; and published by and available from the U.S. Government Publishing Office, 732 North Capitol Street, NW, Washington, DC 20401-0001 and at <https://www.gpo.gov/fdsys/>.
 - d. "Category 2 services" are internal connections services needed to enable high speed broadband connectivity and broadband internal connections components, including local area networks (LAN/WLAN), internal connections components, basic maintenance of internal connections components, and managed internal broadband service.
 - e. "Data Transmission Services and Internet Access" is a Category 1 service type that includes broadband connectivity and basic conduit access to the Internet. This does not include charges for content, equipment purchase, or other services beyond basic conduit access to the internet. This service type also covers lit or dark fiber.
 - f. "Department of Education" or "DOE" means the Arizona Department of Education.
 - g. "Discount Calculations" means the discount matrix, determined using the percentage of students eligible for the National School Lunch Program or an equivalent measure of poverty, and the rural or urban status of the school district or library system as determined by the U.S. Census Bureau.
 - h. "Eligible provider" means a provider that has a 498 ID also known as a Service Provider Identification Number or SPIN, obtained by filing an FCC Form 498.
 - i. "Eligible special construction" or "ESC" refers to special construction projects for Category 1 services that deploy new fiber or upgraded facilities to locations eligible for the E-rate Program. ESC may also include non-fiber based services.
 - j. "E-rate Program" is an FCC program that provides discounts to schools and libraries for eligible products and services.
 - k. "E-rate Modernization Orders" are the FCC Orders that have modernized the FCC's E-rate Program and have maximized schools' and libraries' options for purchasing affordable high-speed broadband connectivity; *Modernizing the E-Rate Program for Schools and Libraries, Connect America Fund*, WC Docket No. 13-184, Report and Order and Further Notice of



- Proposed Rulemaking, 29 FCC Rcd 8870 (2014) and Second Report and Order and Order on Reconsideration, 29 FCC Rcd 15538 (2014).*
- l. "Federal Communications Commission" or "FCC" is the U.S. government agency that regulates interstate and international communications and oversees the federal universal service fund.
 - m. "FCC Form 470" is the Description of Services Requested and Certification Form that schools and libraries complete to request services and establish eligibility.
 - n. "FCC Form 471" is the Services Ordered and Certification Form that schools and libraries use to report services ordered and discounts requested for those services.
 - o. "Funding Commitment Decision Letter" or "FCDL" is a letter from USAC to the applicant which contains USAC's funding decisions on the applicant's funding requests.
 - p. "Funding Year" or "FY" is a 12-month period during which program support is being provided, beginning on July 1 and ending on June 30 of the following calendar year.
 - q. "Second E-rate Modernization Order" is the FCC Order that modernized the FCC's E-rate Program and provided for additional discounts when states match funds for high-speed broadband connections: *Modernizing the E-Rate Program for Schools and Libraries, Connect America Fund*, WC Docket No. 13-184, *Second Report and Order and Order on Reconsideration*, 29 FCC Rcd 15538 (2014).
 - r. "Special Construction Charges" are the upfront, non-recurring costs of ESC installations or upgrades, consisting of three components:
 - i. Construction of network facilities.
 - ii. Design and engineering, and
 - iii. Project management.
 - s. "Staff designee" is the Director of the Commission's Utilities Division or another individual that the Commission assigns to perform duties under this Part.
 - t. "Universal Service Administrative Company" or "USAC" is an independent, not-for-profit corporation created by the FCC in 1997 to administer the four universal service programs including universal service for schools and libraries.
 - u. "Urban" means an individual school or library that is located in an "Urbanized Area" or "Urban Cluster" with a population of 25,000 or more as determined by the U.S. Census Bureau. All other schools or libraries are designated as "rural."
 - v. "Vendor" is the entity that has been selected by the applicant and whose bid USAC has recognized in a FCDL to the applicant.

R14-2-B1220. Availability of State Matching Funds for Special Construction Projects to Deploy Broadband

- A. Applications for AUSF funds for E-rate matching purposes shall be limited to E-rate funding years 2017 and 2018.
- B. An applicant certified by the Department of Education shall be eligible to receive AUSF funds to cover special construction charges to the extent necessary to qualify the applicant to receive additional federal universal service funds of up to 10 percent of special construction charges as authorized by the Second E-rate Modernization Order.
- C. An applicant may not receive total support from the federal Universal Service Fund and AUSF in excess of 100 percent of special construction charges.
- D. Schools and libraries that elect to self-provision shall comply with all of the requirements set forth by the FCC in the Second E-rate Modernization Order.
- E. An ESC shall provide bandwidth sufficient to meet the minimum recommended bandwidth per student or the minimum recommended bandwidth for educational services established for the relevant funding year by the FCC, and without good cause, shall not exceed those standards.
- F. If the E-rate Program discount share and additional match plus the AUSF funds received by an applicant do not cover 100 percent of the special construction charges, the Applicant may include in its request filed with the DOE, a request for additional AUSF funds. Additional AUSF funds requested under this subsection shall be awarded as follows:
 - 1. Applicants with 80 percent or higher E-rate Program discount rate shall be awarded AUSF funds before applicants with lower discount rates; and
 - 2. Applicants with discount rates between 60-80 percent may request additional AUSF funds for the uncovered amount, up to 50 percent of the uncovered special construction charges. Amounts requested above 50 percent of the uncovered special construction charges will not be considered without good cause shown by the applicant.

R14-2-B1221. Procedures for Requesting State Matching Funds

- A. An applicant shall file a request for state matching funds with the Department of Education, prior to submitting its Form 471 to USAC.
- B. If an applicant meets all FCC eligibility requirements for its ESC, the applicant shall obtain a certification letter along with a letter from the Department of Education stating that the applicant is being awarded state matching funds.
- C. An applicant shall provide the Staff designee a copy of the certification letter and letter awarding state matching funds to it issued by the Department of Education and shall include a copy of the letter awarding state matching funds with its FCC Form 471 sent to USAC.
- D. Once USAC determines an applicant's eligibility for federal matching funds and issues a FCDL the applicant shall notify the Department of Education and request that the Department of Education submit a letter to the Staff designee and the Administrator indicating that USAC has issued a FCDL to the applicant with an award of federal funds and including any other information relevant to the award in that particular case.
- E. Disbursement of AUSF funds shall be available for a period of up to five years after USAC has issued a FCDL to the applicant with an award of federal funds, notwithstanding R14-2-B1220(A).



- E.** If USAC reduces or rescinds an applicant's award of federal matching funds following an audit, investigation, enforcement action, or consent decree, the applicant shall immediately notify the Department of Education and the Staff designee and shall reimburse the AUSF fund for any amount by which the AUSF funds received exceeded the federal matching funds award retained.

R14-2-B1222. Administrator Responsibilities: Contributions to and Disbursements from the AUSF

- A.** The Administrator shall be responsible for administering the E-rate Broadband Special Construction Project Matching Fund Program and, in doing so, shall comply with R14-2-A1211 and R14-2-A1214.
- B.** The Administrator shall:
1. Determine the surcharge rates to fund the E-rate Broadband Special Construction Project Matching Fund Program, subject to Commission approval;
 2. Obtain surcharge collections; and
 3. Make disbursements from the AUSF for state matching funds as authorized by the Department of Education and the Commission or its Staff designee, as provided in this Section.
- C.** The increase to the existing surcharge to fund the E-rate Broadband Special Construction Project Matching Fund Program shall be separately calculated and implemented in accordance with Sections R14-2-A1204, R14-2-A1205(B) through (E), R14-2-A1206 (A) through (C), and R14-2-A1207.
- D.** E-rate Broadband Special Construction Project Matching Fund Program surcharges shall not be collected for a period longer than 12 months unless the surcharge collections from carriers in that 12-month period do not produce \$8 million in total funding. If the amount collected is less than the \$8 million cap, the increase in the AUSF surcharge for this Program shall continue until the \$8 million cap is reached. If the collections produce more than \$8 million in the 12-month period, the Commission Staff shall make a recommendation to the Commission regarding the disposition of the over-collected funds.
- E.** A telecommunications service provider may collect the E-rate Broadband Special Construction Project Matching Fund Program surcharges from its customers in any manner it reasonably determines to be best for its business and its customers, but shall not in the aggregate collect more than that authorized by the Commission. The telecommunications service providers shall report and submit payment of assessments according to the schedule established by the Administrator.
- F.** Within 30 days from the effective date of these rules, each telecommunications service provider that interconnects to the public switched network shall provide a letter to the Administrator acknowledging the telecommunications service provider's obligation to pay the new E-rate Broadband Special Construction Project Matching Fund Program surcharges authorized in this Part. Failure to provide such a letter may be grounds for denying the service provider interconnection with the public switched network, upon notice and opportunity to be heard before the Commission.
- G.** An applicant shall:
1. After accepting an eligible provider's bid for an ESC, notify within 15 days the Department of Education and the Administrator of the bid amount accepted so that the Administrator may allocate funds for the ESC; and
 2. After the vendor completes the project, submit to the Department of Education and Administrator a request for disbursement of the funds allocated for the ESC.
- H.** The Administrator shall disburse AUSF funds allocated for an applicant's ESC upon approval from the Commission or its Staff designee.

R14-2-B1223. Discontinuation of E-rate Broadband Special Construction Project Matching Fund Program

- A.** No applications for the E-rate Broadband Special Construction Project Matching Fund Program shall be accepted after the 2018 E-rate FY procurement cycle.
- B.** Except as provided in subsection (C), the E-rate Broadband Special Construction Project Matching Fund Program shall be discontinued when all of the funds have been collected and all of the funds collected have been disbursed.
- C.** The E-rate Broadband Special Construction Project Matching Fund Program may be discontinued earlier or later than specified in subsection (B) if required by the FCC or USAC.

**NOTICE OF PROPOSED RULEMAKING
TITLE 18. ENVIRONMENTAL QUALITY
CHAPTER 5. DEPARTMENT OF ENVIRONMENTAL QUALITY
ENVIRONMENTAL REVIEWS AND CERTIFICATION**

[R17-117]

PREAMBLE

1. Article, Part or Section Affected (as applicable)	Rulemaking Action
R18-5-201	Amend
R18-5-202	Amend
R18-5-203	Amend
R18-5-204	Amend
R18-5-205	Repeal
R18-5-206	Repeal
R18-5-207	Repeal
R18-5-208	Repeal
R18-5-209	Repeal
R18-5-210	Repeal
R18-5-211	Repeal
R18-5-212	Repeal

EXHIBIT B

Public Comments & Staff Responses Thereto (Formal initial written comments provided in response to the Notice of Proposed Permanent Rulemaking)			
Company Names	Rule Effected and Company Proposed Rule Changes	Company Comments	Staff Response
Qwest/CenturyLink QC	<p>Rule R14-2-B1223 (C). The wording changes CenturyLink proposes to R14-2-B1223(C) are as follows: The E-rate Broadband Special construction Project Matching Fund Program may shall be discontinued earlier or later than specified in subsection (B) if required by the FCC or USAC, <u>or if the federal matching funds program is discontinued earlier than currently scheduled.</u></p>	<p>Modest wording changes to Proposed Rule R14-2-B1223 (C) are necessary to eliminate ambiguity in the statement of those limitations. This is warranted given that the matching funds program could be discontinued earlier. The program has not been without controversy, and the matching funds program could be discontinued earlier, possibly because of funding constraints at the federal Universal Service Fund or policy changes or clarifications directed by the FCC. These changes help assure that the state USF mechanism, and telecommunications customers, will not be asked to bear the expense of a broadband construction program which might be interpreted as continuing outside of federal matching funds, or beyond the time periods discussed during the deliberations on the emergency rule. See Oral Comments below. On 8/14/17, CenturyLink QC's attorney stated that the Company was making a change to what they requested and that Rule R14-2-B1223 (C) should not be modified, but changes instead should be made to R14-2-B1223(A) as noted below under Oral Comments.</p>	<p>No change needed. The stated purpose of the program is to provide funds for special construction broadband projects so the State's schools and libraries qualify for additional federal funding to expand broadband access in the State, see R14-2-B1218. R14-2-B1220(A) limits the E-rate matching purposes to E-rate funding years 2017 and 2018. In addition R14-2-B1222(D) specifies that such charges shall not be collected for a period longer than 12 months unless the surcharge collections from carriers in that 12 month period do not produce \$8M in total funding. Staff believes this language adequately addresses the limited duration concerns of CenturyLink.</p>

Public Comments & Staff Responses Thereto (Formal initial written comments provided in response to the Notice of Proposed Permanent Rulemaking)			
Company Names	Rule Effected and Company Proposed Rule Changes	Company Comments	Staff Response
Qwest/CenturyLink QC	Rule R14-2-1217(C)	<p>State funds should not be used to subsidize applicants' self-provisioning of broadband facilities with matching state-universal service funds. (See, CenturyLink Comments, 2/28/17, where CenturyLink explained that "the proposed rules should be modified at Proposed Rule R14-2-1217(C) to specify that self-construction, self-provisioning and dark fiber services may be permitted under the FCC's rules but are ineligible for AUSE state matching funds for special construction). See Oral Comment Section below. On 8/14/17, CenturyLink QC's attorney stated that this was a comment made in an earlier phase of the proceeding; is not reflective of their comments in the current proceeding; and should be stricken from the matrix. CenturyLink stated that it was just provided as background from the earlier proceeding to introduce its comments in this permanent rulemaking proceeding.</p>	<p>Staff does not agree with this proposed change. The FCC Rules allow for self-provisioning as detailed in the Second E-rate Modernization Order, R14-2-B1220(D) addresses this issue. Staff believes that a change in this language would be inconsistent with the FCC Rules and could impact the FCC's previous approval of the ACC Rules.</p>

Public Comments & Staff Responses Thereto (Formal initial written comments provided in response to the Notice of Proposed Permanent Rulemaking)			
Company Names	Rule Effected and Company Proposed Rule Changes	Company Comments	Staff Response
Qwest/CenturyLink QC	Rule R14-2-1216 (D)-	Similarly, the definition in Proposed Rule R14-2-1216 (D) should also be revised to reflect that self-construction and self-provisioning are ineligible for the AUSF matching funds program. At the time, the Commission expressed concern such a condition on its state funding might somehow disqualify the state program from the federal matching funds, since the current FCC program allows self-provisioning, although subject to various stringent conditions. Proposed Rule R14-2-B1220 (D) allows schools and libraries to self-provision provided that they "comply with all of the requirements set forth by the FCC in the Second E-rate Modernization Order." See Oral Comment Section below. On 8/14/17, CenturyLink QC's attorney stated that this was a comment made in an earlier phase of the proceeding; is not reflective of their comments in this phase of the proceeding; and should be stricken from the matrix. CenturyLink stated that it was just provided as background from the earlier proceeding to introduce it comments in this permanent proceeding.	The R14-2-1216 (D) definition included in CenturyLink's comments do not correspond with the final emergency rules issued in Decision No. 76018. The self-provisioning issues discussed as part of CenturyLink's comments are addressed in Staff's response to CenturyLink's concerns related to R14-2-1217 (C) above.
Qwest/CenturyLink QC	Rule R14-2-B1220 (D). CenturyLink proposes that the following change be made to Proposed Rule R14-2-B1220 (D): Schools and libraries shall not qualify to use state funds for self-provisioning if the FCC disallows use of federal funds for self-provisioning. To the extent that the FCC allows federal funds for self-provisioning, schools and libraries shall comply with all of the then current requirements set forth by the FCC. Schools and libraries that elect to self-provision shall comply with all of the requirements set forth by the FCC in the Second E-rate Modernization Order.	State funds should not be provided for self-provisioning, especially if the FCC or USAC provides guidance that the state is not compelled to allow state funds for self-provisioning for its program to qualify for the matching funds, or if the FCC otherwise clarifies or changes its rules to disallow use of Universal Service funds for self-provisioning.	Change not needed as the FCC Rules provide for self-provisioning if it's the most cost-effective solution (see Second E-rate Modernization Order). There has been no change in this requirement by the FCC to date. Prohibiting self-provisioning would be inconsistent with the FCC rules and could impact the FCC's previous approval of the rules. If the FCC disallows self-provisioning in the future, applications seeking same will be denied at the federal level.

Public Comments & Staff Responses Thereto (Formal initial written comments provided in response to the Notice of Proposed Permanent Rulemaking)			
Company Names	Rule Effected and Company Proposed Rule Changes	Company Comments	Staff Response
Qwest/CenturyLink QC		CenturyLink notes: Although the emergency rule and the proposed permanent rule bifurcate the Commission's AUSF Rules into two sections, Part A. High Cost Fund, and Part B. Arizona Universal Service Fund Support For Schools and Libraries, the permanent rule makes no changes with regard to the High Cost Fund. CenturyLink notes that no changes to the High Cost Fund. CenturyLink have been made in many years. CenturyLink respectfully suggests that the continued existence, need, and application of the AUSF High Cost Fund should be re-examined in a proceeding separate from this permanent rulemaking.	Staff agrees that any examination of the AUSF High Cost Fund needed should be done as a separate proceeding from this permanent rulemaking.
Cox Arizona Telcom	Rule R14-2-B1223 (C).	Cox supports clarification of proposed rule language to eliminate any potential ambiguity. Of particular importance to Cox are the notions that the permanent AUSF Rules revisions make crystal clear that the matching program be for the limited purpose of providing funds necessary to qualify for federal matching and that such matching program be of limited duration.	No change needed. The stated purpose of the program is to provide funds for special construction broadband projects so the State's schools and libraries qualify for additional federal funding to expand broadband access in the State. See R14-2-B1218. R14-2-B1220(A) limits E-rate matching purposes to E-rate funding years 2017 and 2018. In addition R14-2-B1222(D) specifies that such charges shall not be collected for a period longer than 12 months unless the surcharge collections from carriers in that 12 month period do not produce \$8M in total funding. Staff believes this language adequately addresses the limited duration concerns of Cox.

Public Comments & Staff Responses Thereto (Formal initial written comments provided in response to the Notice of Proposed Permanent Rulemaking)			
Company Names	Rule Effected and Company Proposed Rule Changes	Company Comments	Staff Response
Cox Arizona Telcom	<p>Rule R14-2-1220. Cox proposes that two subsections be added to proposed R14-2-1220, as follows: "G. Prohibition on overbuilding. Projects are not eligible for funding under R14-2-1218 to R14-2-1223 if another carrier has facilities in place that are already capable of providing internet access. H. "Last mile" projects only. Only projects that construct facilities from an existing central office, fiber node, or other carrier location to the school or library location are eligible for funding under R14-2-1218 to R14-2-1223. Projects that construct facilities between a carrier's existing central offices, fiber nodes, or other carrier locations are not eligible for funding under R14-2-1218 to R14-2-1223.</p>	<p>Cox agrees with CenturyLink's comment that the funding for special construction should not be used for self-provisioning of broadband facilities by schools and libraries. Cox would add that the funds also should be used only for "last mile" connections from a provider's "point of presence" (such as a central office or fiber node) to the customer site, and not for "middle mile" service connecting points of presence. This will ensure that funds provide the maximum benefit for the schools and libraries, rather than funding construction of backbone networks for the ultimate benefit of the carriers. For the same reason, Cox reiterates its request from the emergency rulemaking that the program should not include funding for "overbuilding", i.e. construction where the facilities of another carrier exist. Cox also notes if specific provisions are not added to the permanent rules, Cox requests that the Commission order adopting final permanent AUSF Rules revisions make these limitations clear.</p>	<p>Change not needed. Staff believes that Cox's proposed changes would be inconsistent with the FCC Rules and could impact the FCC's approval of the ACC Rules. Staff also opposes adding any of the requested provisions to the Commission's Order since they would substantially change the meaning of the rules and in a manner that would be inconsistent with the FCC's E-rate program.</p>
Cox Arizona Telcom		<p>Cox agrees with CenturyLink's suggestion that the Commission re-examine, in a separate proceeding, the High Cost Fund portion of the rules. These rules need to be examined as to their relevance in light of newer technologies and should be repealed. The current AUSF Rules do not effectively address the needs of Arizona's high-cost service areas and have outlived any usefulness they were once intended to provide. As such, repealing the existing AUSF Rules should be addressed in a separate docket upon completion of the permanent rulemaking.</p>	<p>Staff agrees that any examination of the AUSF High Cost Fund needed should be done as a separate proceeding from this permanent rulemaking.</p>

Public Comments & Staff Responses Thereto (Formal initial written comments provided in response to the Notice of Proposed Permanent Rulemaking)			
Company Names	Rule Effected and Company Proposed Rule Changes	Company Comments	Staff Response
Time Warner Cable and Time Warner Business ("Charter Communications")	Rule R14-2-B1223 (C).	Charter concurs with Cox's reply comments that the rules should ensure that the matching program be for the limited purpose of providing funds necessary to qualify for federal matching and continue only for a limited duration.	No change needed. The stated purpose of the program is to provide funds for special broadband projects so the State's schools and libraries qualify for additional federal funding to expand broadband access in the State. See R14-2-B1218. R14-2-B1220(A) limits E-rate matching purposes to E-rate funding years 2017 and 2018. In addition R14-2-B1222(D) specifies that such charges shall not be collected for a period longer than 12 months unless the surcharge collections from carriers in that 12 month period do not produce \$8M in total funding. Staff believes this language adequately addresses the limited duration concerns of Charter.
Time Warner Cable and Time Warner Business (Charter Communications)	Rule R14-2-1220.	Charter concurs with Cox's reply comments that the rules provide that funding for special construction not be used for self-provisioning of broadband facilities or to overbuild existing facilities.	Change not needed. Staff believes that the proposed change would be inconsistent with the FCC Rules and could impact the FCC's approval of the ACC Rules.
Time Warner Cable and Time Warner Business (Charter Communications)		Charter recommends, as others have done in earlier phases of this proceeding, that the Commission make projects subject to challenge, and affirm that the Commission's authority does not extend to broadband and that the Commission will not sweep this special fund into the State's general fund. See AT&T Reply Comments at 3 (filed 2/7/17) and Cox Supplemental Reply Comments at 2-3 (filed 2/28/17).	Change not needed. USAC and the DOE thoroughly review all applications for special construction projects to ensure compliance with the FCC Rules. This program is not designed nor contemplated to change the scope of the Commission's authority over broadband. Because of the stringent application process, overcollection of federal funds is unlikely. In the unlikely event there was some overcollection of these funds they would be refunded. R14-2-B1222(D) specifies that if collections produce more than \$8M in the 12 month period, Staff shall make a recommendation to the Commission regarding the disposition of the over-collected State funds.

Public Comments & Staff Responses Thereto (Formal initial written comments provided in response to the Notice of Proposed Permanent Rulemaking)			
Company Names	Rule Effected and Company Proposed Rule Changes	Company Comments	Staff Response
Arizona Telephone, Southwestern Telephone, Table Top Telephone, Copper Valley Telephone (ALECA)		ALECA agrees with CenturyLink that the AUSF High Cost Fund should be reviewed, but does not agree that its existence or need should be at issue. Rather, the proceeding should focus on how to expand and streamline the process to help rural local exchange carriers continue to provide reliable, cost-effective service to their customers. The AUSF should be expanded and access to funding should be streamlined to help offset reductions in federal support. The Commission should consider how the AUSF is structured, what it supports, and how to qualify for support without lengthy, expensive, contentious hearings.	Staff agrees that any examination of the AUSF High Cost Fund needed should be done as a separate proceeding from this permanent rulemaking. Should the AUSF High Cost Fund be reexamined in the future, Staff believes that would be the appropriate time to address ALECA's concerns.
Oral Proceeding (8/14/17) Comments			
Qwest/CenturyLink QC	Rule R14-2-B1223 (A). No applications for the E-rate Broadband Special Construction Project Matching Fund Program shall be accepted after the 2018 E-rate FY procurement cycle, or sooner if the matching fund program is discontinued by the FCC.	At the Oral Proceeding on 8/14/17, CenturyLink QC stated that they no longer advocated changing R14-2-B1223 (C) but to leave Rule R14-2-B1223(C) as it stands and instead make changes to R14-2-B1223(A) as noted. CenturyLink states that "if something goes on at the FCC which is not currently expected to happen that terminates the program sooner than is currently scheduled or thought to persist, that we be clear that this state program has a way of exiting immediately". CenturyLink adds, "There's a lot of, shall we say, change going on at the FCC since the change in administrations and we think it's entirely foreseeable that the new Commission, with its new majority and Commissioner, may want to reexamine the matching funds program. If the change ultimately is to discontinue the program, this modification that we propose would give the State an exit to line up immediately with what the FCC might decide to do". CenturyLink also states that the language in R14-2-B1223(C) is "somewhat confusing as (C) seems to limit itself to subsection (B)".	Staff believes Subpart C. of R14-2-B1223 already addresses CenturyLink's concern. Staff does not believe the intent of Subpart C was to limit itself to Subpart B. In addition, if the program is discontinued at the FCC, no further applications will be approved by USAC, requiring state funding. Thus, Staff believes the change is unnecessary. Staff would like to clarify its comments at the hearing. With respect to state funding, should overcollection occur which is unlikely, the rules provide how the overcollection will be handled. See R14-2-B1222 (D).

Public Comments & Staff Responses Thereto (Formal initial written comments provided in response to the Notice of Proposed Permanent Rulemaking)			
Company Names	Rule Effected and Company Proposed Rule Changes	Company Comments	Staff Response
Qwest/CenturyLink QC	Rule R14-2-B1220 (D). CenturyLink had proposed that the following change be made to Proposed Rule R14-2-B1220 (D): Schools and libraries shall not qualify to use state funds for self-provisioning if the FCC disallows use of federal funds for self provision. To the extent that the FCC allows federal funds for self-provisioning, schools and libraries shall comply with all of the then current requirements set forth by the FCC. Schools and libraries that elect to self-provision shall comply with all of the requirements set forth by the FCC in the Second E-rate Modernization Order.	At the Oral Proceeding on 8/14/17, CenturyLink QC stated that CenturyLink is not saying that schools and libraries can't currently use matching funds for self-provisioning because indeed the federal rules currently allow that. All CenturyLink is saying is that "if the FCC changes its mind and disallows the use of federal funds for self-provisioning then the state should likewise follow and not permit state funds to be used for self-provisioning".	Staff believes this change is unnecessary. If self-provisioning is no longer allowed under the FCC rules, no further applications providing for self-provisioning will be approved by USAC which requires state funding.
Qwest/CenturyLink QC		CenturyLink notes: Although the emergency rule and the proposed permanent rule bifurcate the Commission's AUSF rules into two sections, Part A. High Cost Fund, and Part B. Arizona Universal Service Fund Support For Schools and Libraries, the permanent rule makes no changes with regard to the High Cost Fund. CenturyLink notes that no changes to the High Cost Fund USF have been made in many years. CenturyLink respectfully suggests that the continued existence, need, and application of the AUSF High Cost Fund should be re-examined in a proceeding separate from this permanent rulemaking.	Staff agrees that any examination of the AUSF High Cost Fund should be done as a separate proceeding and not as part of this proceeding.
Milan Eaton, State E-rate Director, Arizona Department of Education ("DOE")	Rule R14-2-B1220 (D).	As for self-provisioning, the state funds will only be made available if the federal matching funds are approved. In other words, the only way the state will contribute funds is if USAC agrees to provide matching funds. If USAC is not going to match the state matching funds, the state will not contribute funds. If they take away the self-provision piece, neither USAC or the state will provide any matching funds for self-provisioning. So that will solve the carriers concerns if the FCC should at some point disallow self-provisioning.	Staff agrees with the DOE's comment.

Public Comments & Staff Responses Thereto (Formal initial written comments provided in response to the Notice of Proposed Permanent Rulemaking)			
<u>Company Names</u>	<u>Rule Effected and Company Proposed Rule Changes</u>	<u>Company Comments</u>	<u>Staff Response</u>
Milan Eaton, State E-rate Director, Arizona DOE	Rules in general.	"It's been wonderful that we have these funds to help build out broadband infrastructure in parts of Arizona that have never had the opportunity to have funding to bring internet to their areas. I appreciate the Corporation Commission's work and the Governor's Office work".	Staff agrees with the DOE's comment.
Milan Eaton, State E-rate Director, Arizona DOE	ALJ question re: Staff's reference to FCC approval and the rates.	The emergency rules were sent to USAC who delivered them the FCC. Several conference calls were held to review the rules. It took approximately 3 weeks before the DOE received confirmation that the FCC had approved the 10% state match program and it was posted to the USAC website. Approval is on the USAC website. USAC has to approve the state match program. The FCC's 2nd Modernization Order says there are certain places the funds can come from. They actually have to approve where those funds can come from. So, our funding source and the way we get those funds and our program has been approved by the FCC.	Staff agrees with the DOE's comment.
Milan Eaton, State E-rate Director, Arizona DOE	R14-2-B1221(B). For clarification as requested by the ALJ, regarding the certification letter and a letter from the DOE.	"Yes, they get 2 letters". The DOE issues both letters.	Staff believes no change to the rule is necessary.

EXHIBIT C**Summary of the Comments Made on the Rulemaking and the Agency Response to Them, Prepared Pursuant to A.R.S. § 41-1001(16)(d)(iii)**

The written and oral comments received by the Commission concerning the published Notice of Proposed Rulemaking are included in the following table, along with the Commission response to each.

Written Comments on Notice of Proposed Rulemaking	
Public Comment	Commission Response
THE RULEMAKING GENERALLY	
<p>Qwest Corporation dba CenturyLink QC (“CenturyLink”) understands the importance of connectivity for Arizona communities and supports the Commission’s goal of promoting broadband investment, especially for rural areas. CenturyLink has invested almost \$8 billion in its Arizona network, including investment in rural areas, and believes that its investment and those of other providers are essential to reducing the connectivity gap between rural and metropolitan areas. CenturyLink is committed to making 10/1 Mbps or higher broadband service available to tens of thousands of Arizonans.</p> <p>CenturyLink supports adoption of permanent rules to allow Arizona to take advantage of the opportunity for supplemental federal matching funds from the FCC Universal Service Fund’s Schools and Libraries Program.</p>	<p>The Commission acknowledges CenturyLink’s support for reducing the broadband connectivity gap and its general support for the rulemaking.</p> <p>No change is needed as a result of this comment.</p>
<p>Cox Arizona Telcom, LLC (“Cox”) strongly supports the Commission’s efforts to extend broadband service to rural Arizona schools and libraries; commends the Commission for its leadership in this area; and understands the Commission’s action to adopt permanent rules to add a state matching program to the AUSF to allow Arizona to receive federal funds under the FCC’s Schools and Libraries Program.</p>	<p>The Commission acknowledges Cox’s support for the rulemaking.</p> <p>No change is needed as a result of this comment.</p>
<p>Time Warner Cable Business LLC and Time Warner Cable Information Services (Arizona), LLC (“Time Warner”) appreciates the opportunity to be involved in the rulemaking process.</p>	<p>The Commission acknowledges Time Warner’s comment.</p> <p>No change is needed as a result of this comment.</p>

HIGH COST FUND RULES	
CenturyLink noted that the rulemaking does not make any changes to the High Cost Fund rules and asserted that the continued existence, need, and application of the AUSF High Cost Fund should be reexamined in a separate proceeding.	<p>Substantive changes to the High Cost Fund rules are outside the scope of this targeted rulemaking for the E-rate Broadband Special Construction Project Matching Fund Program (“State Matching Fund Program”). The Commission agrees that it may be appropriate to review the High Cost Fund rules and their use at a future date, but believes that such a review is not currently a high priority.</p> <p>No change is needed in response to this comment.</p>
Cox agreed with CenturyLink’s suggestion for the Commission to reexamine the AUSF High Cost Fund rules in a separate proceeding. Cox asserted that the AUSF High Cost Fund rules are no longer relevant and should be repealed because they do not effectively address the needs of Arizona’s high-cost service areas and are not useful.	<p>Substantive changes to the High Cost Fund rules are outside the scope of this targeted rulemaking for the State Matching Fund Program. The Commission agrees that it may be appropriate to review the High Cost Fund rules and their use and usefulness at a future date, but believes that such a review is not currently a high priority.</p> <p>No change is needed in response to this comment.</p>
Arizona Telephone Company (“ATC”); Southwestern Telephone Company (“STC”); Table Top Telephone Company, Inc. (“Table Top”); Valley Telephone Cooperative (“VTC”); and Copper Valley Telephone Company (“Copper Valley”) (collectively “rural companies”) agreed with CenturyLink that the AUSF High Cost Fund rules should be reviewed. The rural companies asserted that the existence of or need for the AUSF High Cost Fund should not be at issue, however, and that the review should instead focus on how to expand and streamline the process to help rural local exchange carriers continue to provide reliable and cost-effective service to their customers. The rural companies stated that they serve high-cost low-customer-density areas, that the rural companies rely on federal USF funds and access charges to keep their basic local service rates affordable and to generate capital, that the federal funding has been reduced since 2011, and that the	<p>Substantive changes to the High Cost Fund rules are outside the scope of this targeted rulemaking for the State Matching Fund Program. The Commission agrees that it may be appropriate to review the High Cost Fund rules and the processes required therein, but believes that such a review is not currently a high priority.</p> <p>No change is needed in response to this comment.</p>

<p>AUSF program should be expanded and access to funding streamlined to help offset the reductions in federal funding. The rural companies asserted that a rate case should not be required to receive AUSF funds and attributed the lack of participation in the High Cost Fund to the burdensome process. The rural companies asserted that the Commission should look to successful USF programs in other western states for how to design and implement a best practices AUSF program.</p>	
SCOPE OF COMMISSION AUTHORITY	
<p>Time Warner requested affirmation from the Commission that the Commission does not have authority over broadband.</p>	<p>The Commission is not, through this rulemaking, changing its position as to its authority over broadband.</p> <p>No change is needed in response to this comment.</p>
RESTRICTIONS ON USE OF STATE MATCHING FUNDS	
<p>CenturyLink asserted that state matching funds should not be provided for self-provisioning by schools and libraries, especially if the FCC or USAC provides guidance that Arizona is not required to allow state funds for self-provisioning to qualify as a source of matching funds or if the FCC clarifies or changes its rules to disallow use of federal USF funds for self-provisioning. CenturyLink suggested the following revision to R14-2-B1220(D) to address this:</p> <p>“R14-2-B1220.D. <u>Schools and libraries shall not qualify to use state funds for self-provisioning if the FCC disallows use of federal funds for self-provisioning. To the extent that the FCC allows federal funds for self-provisioning, schools and libraries shall comply with all of the then current requirements set forth by the FCC. Schools and libraries that elect to self provision shall comply with all of the requirements set forth by the FCC in the Second E-rate Modernization Order.</u>”</p>	<p>In the Second E-rate Modernization Order (“EMO2”), the FCC very clearly approved the use of self-construction of high-speed broadband facilities by schools and libraries for which it is the most cost-effective option and adopted safeguards to ensure that it is only funded when it is the most cost-effective option. (See EMO2 at 15555-59.) The Commission believes that it would be inappropriate and counterproductive to restrict the use of the new AUSF funds more than the FCC has restricted the use of federal E-rate Program funds and that doing so could jeopardize USAC’s approval of the Commission’s State Matching Fund Program as a source for state matching funds. If the FCC prohibits the use of federal E-rate Program funds for self-provisioning while the State Matching Fund Program is still operational, the Commission will take any appropriate action needed to allow Arizona schools and libraries to maximize their opportunity to receive federal matching funds under the E-rate Program.</p> <p>No change is needed in response to this</p>

	comment.
<p>Cox agreed with CenturyLink that the special construction funds should not be used for self-provisioning of broadband facilities by schools and libraries. Cox asserted that the AUSF funds should be used only for “last mile” connections from a provider’s “point of presence” to the customer site and not for “middle mile” service connecting points of presence. Cox asserted that this limitation will ensure that the funds provide the maximum benefit for schools and libraries, rather than funding construction of backbone networks for the ultimate benefit of carriers. Cox further asserted that the funds should not be used for construction where another carrier already has facilities (“overbuilding”). Cox proposed that the following two subsections be added to R14-2-B1220:</p> <p>“G. <i>Prohibition on overbuilding.</i> Projects are not eligible for funding under R14-2-1218 to R14-2-1223 if another carrier has facilities in place that are already capable of providing internet access.</p> <p>H. <i>‘Last mile’ projects only.</i> Only projects that construct facilities from an existing central office, fiber node, or other carrier location to the school or library location are eligible for funding under R14-2-1218 to R14-2-1223. Projects that construct facilities between a carrier’s existing central offices, fiber nodes, or other carrier locations are not eligible for funding under R14-2-1218 to R14-2-1223.”</p> <p>Cox requested that if the Commission does not add these subsections to the permanent rules, the Commission make these limitations clear in the Commission Decision adopting final permanent rules.</p>	<p>In EMO2, the FCC very clearly approved the use of self-construction of high-speed broadband facilities by schools and libraries for which it is the most cost-effective option and adopted safeguards to ensure that it is only funded when it is the most cost-effective option. (See EMO2 at 15555-59.) In doing so, the FCC specifically addressed commenters’ concerns about overbuilding and decided that the safeguards put in place through EMO2 were more appropriate than the limitations sought by commenters. (See EMO2 at 15557.)</p> <p>Regarding last-mile facilities, in EMO2, the FCC provided that the “additional 10 percent in category one funding to match state funding [is for] special construction charges for last-mile facilities to support high-speed broadband.” (EMO2 at 15620.) Because the proposed rules tie eligibility to receive state matching funds to eligibility to receive federal matching funds, there is already an implicit requirement for AUSF-funded projects to meet this requirement, as codified by the FCC through EMO2. (See R14-2-B1220(B), R14-2-B1221(D).)</p> <p>The Commission believes that it would be inappropriate and counterproductive to restrict the use of the new AUSF funds more than the FCC has restricted the use of E-rate Program funds and that doing so could jeopardize USAC’s approval of the Commission’s State Matching Fund Program as a source for state matching funds.</p> <p>No change is needed in response to these comments.</p>
<p>Time Warner agreed with Cox that the State Matching Fund Program should be for the limited purpose of providing funds necessary to qualify for federal matching and should not be used for self-</p>	<p>In EMO2, the FCC very clearly approved the use of self-construction of high-speed broadband facilities by schools and libraries for which it is the most cost-</p>

<p>provisioning of broadband facilities or to overbuild existing facilities.</p>	<p>effective option and adopted safeguards to ensure that it is only funded when it is the most cost-effective option. (<i>See</i> EMO2 at 15555-59.) In doing so, the FCC specifically addressed commenters' concerns about overbuilding and decided that the safeguards put in place through EMO2 were more appropriate than the limitations sought by commenters. (<i>See</i> EMO2 at 15557.)</p> <p>The Commission believes that it would be inappropriate and counterproductive to restrict the use of the new AUSF funds more than the FCC has restricted the use of E-rate Program funds and that doing so could jeopardize USAC's approval of the Commission's State Matching Fund Program as a source for state matching funds.</p> <p>No change is needed in response to these comments.</p>
<p>Time Warner asserted that special construction projects should be subject to challenge.</p>	<p>The Commission believes that adding another potential layer of scrutiny to special construction projects—by allowing providers to contest them—would be inappropriate and counterproductive. The FCC publishes an eligible services list each year, and each FCC Form 470 is reviewed by USAC for project eligibility. The timelines related to the federal E-rate Program (<i>i.e.</i>, the windows of opportunity for schools and libraries to file their FCC Forms) are relatively narrow. Allowing a provider to contest a project's eligibility could result in a time-consuming obstacle that would ultimately prevent a school or library from receiving matching funds. Additionally, and importantly, an opportunity to contest implies the existence of an entity (presumably the Commission) empowered to determine whether a contested project is eligible for federal funds (because such eligibility is required to obtain state matching funds). The Commission lacks</p>

	<p>jurisdiction to determine eligibility for federal matching funds and should not attempt to assert jurisdiction to do so. The Commission rules intentionally rely upon the FCC rules for eligibility determinations, and the Commission does not believe that it would be in the public interest for the Commission to alter that reliance.</p> <p>No change is needed in response to this comment.</p>
<p>Time Warner asserted that the Commission should affirm that the Commission will not sweep the new AUSF funds into the State's general fund.</p>	<p>The Commission intends to have the newly generated AUSF funds used in the manner contemplated by the proposed rules, not to sweep the newly generated AUSF funds into the general fund. The AUSF funds will be administered by Solix, Inc. rather than the Commission. The Commission anticipates that it would only be directly involved in deciding how any excess (over \$8 million) AUSF E-rate program funds are used, as provided in R14-2-B1222(D).</p> <p>No change is needed in response to this comment.</p>

DURATION OF THE NEW STATE MATCHING FUND PROGRAM

R14-2-B1223(C):

CenturyLink asserted that the additional matching funds from the FCC will be available for a limited period of time, found the rule language ambiguous regarding those limitations, and proposed that R14-2-B1223(C) be revised as follows to reflect that the federal matching funds program could be discontinued early and to keep telecommunications customers from paying for a broadband construction program that might be interpreted as persisting outside of federal matching funds:

“R14-2-B1223(C). The E-rate Broadband Special Construction Project Matching Fund Program ~~may~~ shall be discontinued earlier ~~or later~~ than specified in subsection (B) if required by the FCC or USAC, or if the federal matching funds program is discontinued earlier than currently scheduled.”

The Commission agrees that it is appropriate for the duration of the State Matching Fund Program to coincide with the availability of the additional federal matching funds. The Commission does not, however, agree that the rule language is ambiguous concerning the relationship between the two. The proposed rules repeatedly refer to the existence of federal matching funds as the *raison d'être* for the State Matching Fund Program (*see, e.g.,* R14-2-B1218, the R14-2-B1219 definition of the “E-rate Broadband Special Construction Project Matching Fund,” R14-2-B1220(B), and R14-2-B1221(D)), and limit the duration of the State Matching Fund Program in R14-2-B1220(A), R14-2-B1222(D), and R14-2-

<p>Note that CenturyLink revised its suggestions in this area at the Oral Proceeding on August 14, 2017, and no longer advocates for the above change to be made to R14-2-B1223(C).</p>	<p>B1223(A). Additionally, R14-2-B1223(C) allows for the State Matching Fund Program to be ended sooner or later if required by the FCC or USAC.</p> <p>No change is needed in response to this comment.</p>
<p>Cox generally agreed with CenturyLink's comments, particularly CenturyLink's suggestion that the rules be clarified to make it "crystal clear" that the State Matching Fund Program is for the limited purpose of providing funds necessary to qualify for federal matching and that the State Matching Fund Program be of limited duration.</p>	<p>The Commission does not believe that the rule language is ambiguous concerning the relationship between the State Matching Fund Program and the availability of the additional federal matching funds. The proposed rules repeatedly refer to the existence of federal matching funds as the <i>raison d'être</i> for the State Matching Fund Program (<i>see, e.g.,</i> R14-2-B1218, the R14-2-B1219 definition of the "E-rate Broadband Special Construction Project Matching Fund," R14-2-B1220(B), and R14-2-B1221(D)), and limit the duration of the State Matching Fund Program in R14-2-B1220(A), R14-2-B1222(D), and R14-2-B1223(A). Additionally, R14-2-B1223(C) allows for the State Matching Fund Program to be ended sooner or later if required by the FCC or USAC.</p> <p>No change is needed in response to this comment.</p>
<p>Time Warner agreed with Cox that the State Matching Fund Program should be of limited duration.</p>	<p>The proposed rules limit the duration of the State Matching Fund Program in R14-2-B1220(A), R14-2-B1222(D), and R14-2-B1223(A). Additionally, R14-2-B1223(C) allows for the State Matching Fund Program to be ended sooner or later if required by the FCC or USAC.</p> <p>No change is needed in response to this comment.</p>
<p>Oral Comments on Notice of Proposed Rulemaking</p>	
<p>Public Comment</p>	<p>Commission Response</p>
<p>At the Oral Proceeding on August 14, 2017, CenturyLink expressed appreciation for the opportunity to offer comments and stated that it understands the reason for the rules and is in favor</p>	<p>The Commission acknowledges the supportive comment.</p> <p>No change is needed in response to this</p>

<p>of the state's being able to take advantage of the federal matching fund opportunity.</p>	<p>comment.</p>
<p>CenturyLink stated that, after further reflection, it no longer desires to see R14-2-B1223(C) changed as described in its written comments, but instead would like to see the following change made to R14-2-B1223(A):</p> <p>“A. No applications for the E-rate Broadband Special Construction Project Matching Fund Program shall be accepted after the 2018 E-rate FY procurement cycle-, <u>or sooner if the matching fund program is discontinued by the FCC.</u>”</p> <p>CenturyLink desires for the rules to allow for immediate termination of the new State Matching Fund Program if the FCC were to terminate the federal matching program sooner than expected, something that CenturyLink believes could happen due to changes in the federal and FCC administration. CenturyLink also stated that R14-2-B1223(C) is somewhat confusing in that it seems to limit itself to R14-2-B1223(B). However, CenturyLink now advocates for revision to be made to the language concerning the acceptance of applications under R14-2-B1223(A) rather than (R14-2-B1223(C).</p>	<p>The Commission believes that CenturyLink's concerns are adequately addressed in R14-2-B1223(C), which states that the State Matching Fund Program may be discontinued earlier than provided in R14-2-B1223(B) if required by the FCC or USAC. (R14-2-B1223(B) provides that the State Matching Fund Program shall be discontinued when all funds have been collected and all collected funds have been disbursed.) The Commission believes that the FCC's discontinuation of its matching fund program would necessitate discontinuance of the State Matching Fund Program under R14-2-B1223(C) because no school or library would be able to obtain an FCDL from USAC establishing eligibility for federal matching funds (as required by R14-2-B1221(D) and (E) to obtain state matching funds). The Commission believes that because it would be impossible for any applicant to qualify for state matching funds, the FCC's discontinuation of its matching fund program would equate to the FCC's requiring discontinuance of the State Matching Fund Program for purposes of R14-2-B1223(C).</p> <p>No change is needed in response to this comment.</p>
<p>CenturyLink clarified its written comments concerning self-provisioning, stating that its position is not that schools and libraries cannot currently use matching funds for self-provisioning (because the FCC rules allow it), but instead is that if the FCC changes its mind and disallows the use of federal funds for self-provisioning, the state should follow suit and prohibit use of state matching funds for self-provisioning,</p>	<p>The Commission's response to CenturyLink's original comment, set forth above, addressed the concerns behind CenturyLink's clarified comment as well. Because the Commission rules require a school or library to obtain an FCDL from USAC (stating that the school or library is eligible for federal matching funds) to obtain state matching funds, the Commission believes that a change in the federal rules to exclude self-provisioning from eligible services would be largely</p>

	<p>self-implementing.</p> <p>No change is needed in response to this comment.</p>
<p>In response to a question from Commissioner Andy Tobin regarding what should happen with AUSF funds collected under the State Matching Fund Program if the FCC discontinues the E-rate Program's federal matching fund program, CenturyLink stated that the AUSF funds should somehow be reimbursed to ratepayers.</p>	<p>The Commission agrees that AUSF funds collected under the State Matching Fund Program that cannot be used as state matching funds should somehow be reimbursed to ratepayers and would direct Staff to determine and recommend potential methods of reimbursement if the FCC discontinues the E-rate Program's federal matching fund program earlier than expected or the AUSF funds generated under the State Matching Fund Program cannot be used as state matching funds for any other reason.</p> <p>No change is needed in response to this comment.</p>
<p>CenturyLink repeated its comment regarding the need for review of the High Cost Fund rules.</p>	<p>The Commission's response to CenturyLink's original comment, set forth above, adequately addresses this comment.</p>
<p>Milan Eaton, the State E-rate Director for the Arizona Department of Education ("ADOE") stated that state matching funds will only be made available if federal matching funds are approved—<i>i.e.</i>, if USAC agrees to provide federal matching funds. Without USAC approval, no state funds will be provided. Also, if the FCC eliminates funding for self-provisioning, neither USAC nor the state will provide any matching funds for self-provisioning. ADOE believes that this should resolve carriers' concerns.</p>	<p>The Commission appreciates ADOE's explanation and support for the proposed State Matching Fund rules.</p> <p>No change is needed in response to this comment.</p>
<p>Mr. Eaton expressed appreciation for the Commission's work, and the work of the Governor's office, in cooperating to help bring broadband infrastructure to parts of Arizona that have never had the funding to bring internet to their areas.</p>	<p>The Commission acknowledges the supportive comment.</p> <p>No change is needed in response to this comment.</p>
<p>In response to a question to Staff regarding the FCC approval obtained, Mr. Eaton explained that the emergency rules were sent to USAC, who provided them to the FCC; that several conference calls took</p>	<p>The Commission appreciates ADOE's explanation.</p> <p>No change is needed in response to this comment.</p>

<p>place to review the rules; and that ADOE received confirmation several weeks later that the FCC had approved the State Matching Fund Program and that the State Matching Fund Program had been posted on USAC's website as an approved source. Mr. Eaton explained that EMO2 required that state matching funds come from only FCC-approved sources.</p>	
<p>In response to a question from the ALJ, Mr. Eaton confirmed that ADOE issues both letters referenced in R14-2-B1221(B).</p>	<p>The Commission appreciates ADOE's confirmation.</p> <p>No change is needed in response to this comment.</p>

EXHIBIT D

Note: The Commission is exempt from the requirements of A.R.S. § 41-1055 relating to economic, small business, and consumer impact statements. However, under A.R.S. § 41-1057, the Commission is required to prepare a “substantially similar” statement.

A.R.S. § 41-1055

B. Economic, Small Business and Consumer Impact Statement

1. Identification of the proposed rule making.

In partnership with the Department of Education, the Governor’s Office, and the Arizona State Library and Archives, the purpose of the proposed rulemaking is to permanently adopt the emergency rules, Article 12: Arizona Universal Service Fund R14-2-1201, *et al.*, that were amended by the Arizona Corporation Commission in Decision No. 76018, dated March 22, 2017. The emergency rules moved the existing high cost fund rules into a new Part A and established a new Part B entitled “Arizona Universal Service Support for Schools and Libraries” to institute a new program to assist Arizona schools and public libraries to fund the necessary broadband facilities for obtaining broadband connectivity. The emergency rules became effective immediately upon filing with the Secretary of State on March 29, 2017.

2. Persons who will be directly affected by, bear the costs of, or directly benefit from the proposed rule making.

- a. customers of telecommunications service providers in Arizona;
- b. telecommunications service providers in Arizona;
- c. businesses involved in construction of broadband infrastructure or provision of broadband services;
- d. The administrator of the AUSF, Solix, Inc.;
- e. Arizona Department of Education;
- f. schools and libraries in largely rural areas in Arizona; and
- g. Arizona Corporation Commission.

3. Cost-benefit analysis.

a. Probable costs and benefits to the implementing agency and other agencies directly affected by the implementation and enforcement of the proposed rule making.

Probable costs to the Commission of the proposed rulemaking would include Staff’s time associated with reviewing authorization forms for special construction projects and the administration of the new funds. Potential benefits to the Commission include the expansion of communications services to the rural parts of Arizona that may have limited connectivity or no broadband access available. It is not anticipated that any new full-time employees are needed to implement the proposed rules.

Probable costs to other agencies (i.e. Department of Education), could be an increase in the internal Staff's administrative process and the number of special construction project requests to be processed and reviewed. Potential benefits to the Department of Education include the opportunity to further its mission in ensuring every student has access to an excellent education.

b. **Probable costs and benefits to a political subdivision of this state directly affected by the implementation and enforcement of the proposed rule making.**

To the extent that political subdivisions of this state are customers of telecommunications service providers, the political subdivisions would be required to pay the increased surcharge required by the amended rules. The surcharge already being collected under the emergency rules will not change due to the permanent rulemaking. Probable benefits to political subdivisions would include improved education to students and members of the communities, potentially creating a stronger workforce and further economic development.

c. **Probable costs and benefits to businesses directly affected by the proposed rule making, including any anticipated effect on the revenues or payroll expenditures of employers who are subject to the proposed rule making.**

Business customers of telecommunications service providers will be required to pay an increase in their monthly Arizona Universal Service Fund surcharge in order to fund the approved special construction projects. The surcharge already being collected under the emergency rules will not change due to the permanent rulemaking. Benefits directly related to businesses associated with the rule making include the opportunity for a stronger workforce. Individuals who may not otherwise have access to the internet or the ability to apply for jobs will now have that option thus benefiting the economy and business growth in Arizona. Payroll expenditures of telecommunications service providers will not likely be affected. Revenues of telecommunications service providers should not be impacted as a result of the amended rules because the costs will be passed through to their customers in the form of an increased surcharge. The Administrator of the AUSF, Solix, Inc., will see an increase in personnel time expended for administration of the AUSF program for the duration of the E-rate Broadband Special Construction Project Matching Fund Program. Businesses involved in construction of broadband infrastructure or the provision of broadband services are likely to see an increase in business as a result of new construction projects, particularly in rural areas.

4. **Probable impact on private and public employment in businesses, agencies, and political subdivisions of this state directly affected by the proposed rule making.**

Private and public employment in businesses, agencies, and political subdivisions of this state may increase as a result of the proposed rulemaking. More local contractors may be needed to build special construction projects or restaurants and hotels may need increased staff to accommodate outside contractors.

5. **Probable impact of the proposed rule making on small businesses.**

a. **Identification of the small businesses subject to the proposed rule making.**

To the extent that small businesses are customers of telecommunications service providers, the small businesses would be required to pay the increased surcharge required by the amended rules. The surcharge already being collected under the emergency rules will not change due to the permanent rulemaking. The proposed rules would also apply to telecommunications service providers, some of whom may be small businesses.

b. **Administrative and other costs required for compliance with the proposed rule making.**

Small businesses could incur minimal additional administrative costs related to the increased surcharge. The changes to the rules do not create any other new cost obligations.

c. **A description of the methods that the agency may use to reduce the impact on small businesses.**

Not applicable.

d. **Probable cost and benefit to private persons and consumers who are directly affected by the proposed rule making.**

Private persons who are customers of telecommunications service providers will be required to pay an increase in their monthly Arizona Universal Service Fund surcharge in order to fund the approved special construction projects. The surcharge already being collected under the emergency rules will not change due to the permanent rulemaking. Potential benefits to private persons include the increased access to broadband service in libraries. Those who may not have service in their homes may now have the ability to use the internet at their local library for whatever purpose they may need. Additionally, the impact this will have on children who will be given the opportunity for an excellent education will benefit the community as a whole for years to come.

6. Probable effect on state revenues.

The rule changes are not expected to have any impact on state revenues.

7. Less intrusive or less costly alternative methods of achieving the purpose of the proposed rule making.

The Commission is unaware of any alternative methods of achieving the purpose of the rulemaking that would be less intrusive or less costly.

8. Description of any data on which the rule is based.

The 2016 State of the States Report from the EducationSuperHighway indicates Arizona has 23% of its school districts meeting the affordable broadband criteria. Only 6% meet the minimum recommended bandwidth per student as determined by the State Educational Technology Directors Association ("SETDA") and the FCC. The 2017 report has not been issued yet.

C. If for any reason adequate data are not reasonably available to comply with the requirements of subsection B of this section, the agency shall explain the limitations of the data and the methods that were employed in the attempt to obtain the data and shall characterize the probable impacts in qualitative terms.

Data is available as described above in B (8).

**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND
ASSOCIATIONS;**

SECURITIES REGULATION

CHAPTER 2. CORPORATION COMMISSION - FIXED UTILITIES

ARTICLE 12. ARIZONA UNIVERSAL SERVICE FUND

Section

- R14-2-1201. ~~Definitions~~ Renumbered
- R14-2-1202. ~~Calculation of AUSF Support~~ Renumbered
- R14-2-1203. ~~Request for AUSF Support~~ Renumbered
- R14-2-1204. ~~Funding of the AUSF~~ Renumbered
- R14-2-1205. ~~Calculation of Surcharges~~ Renumbered
- R14-2-1206. ~~Implementation~~ Renumbered
- R14-2-1207. ~~Calculation of Monthly Payments and the Associated Collections~~ Renumbered
- R14-2-1208. ~~Monthly AUSF Disbursements~~ Renumbered
- R14-2-1209. ~~Procedures for Handling AUSF Rate Changes~~ Renumbered
- R14-2-1210. ~~Statement of Participation of All Telecommunications Service Providers in the
AUSF~~ Renumbered
- R14-2-1211. ~~Duties and Responsibilities of the AUSF Administrator~~ Renumbered
- R14-2-1212. ~~Interim Administrator~~ Renumbered
- R14-2-1213. ~~Guidelines for Auditing the AUSF~~ Renumbered
- R14-2-1214. ~~Enforcement of Collection of Delinquent AUSF Amounts~~ Renumbered
- R14-2-1215. ~~AUSF Annual Report~~ Renumbered
- R14-2-1216. ~~Review Process~~ Renumbered
- R14-2-1217. ~~Supersession of Existing USF Mechanism~~ Renumbered

PART A. HIGH COST FUND

Section

- ~~R14-2-1201.~~ R14-2-A1201. Definitions
- ~~R14-2-1202.~~ R14-2-A1202. Calculation of AUSF Support
- ~~R14-2-1203.~~ R14-2-A1203. Request for AUSF Support
- ~~R14-2-1204.~~ R14-2-A1204. Funding of the AUSF
- ~~R14-2-1205.~~ R14-2-A1205. Calculation of Surcharges

- ~~R14-2-1206.~~ R14-2-A1206. Implementation
- ~~R14-2-1207.~~ R14-2-A1207. Calculation of Monthly Payments and the Associated Collections
- ~~R14-2-1208.~~ R14-2-A1208. Monthly AUSF Disbursements
- ~~R14-2-1209.~~ R14-2-A1209. Procedures for Handling AUSF Rate Changes
- ~~R14-2-1210.~~ R14-2-A1210. Statement of Participation of All Telecommunications Service Providers in the AUSF
- ~~R14-2-1211.~~ R14-2-A1211. Duties and Responsibilities of the AUSF Administrator
- ~~R14-2-1212.~~ R14-2-A1212. Interim Administrator
- ~~R14-2-1213.~~ R14-2-A1213. Guidelines for Auditing the AUSF
- ~~R14-2-1214.~~ R14-2-A1214. Enforcement of Collection of Delinquent AUSF Amounts
- ~~R14-2-1215.~~ R14-2-A1215. AUSF Annual Report
- ~~R14-2-1216.~~ R14-2-A1216. Review Process
- ~~R14-2-1217.~~ R14-2-A1217. Supersession of Existing USF Mechanism

PART B. ARIZONA UNIVERSAL SERVICE SUPPORT FOR SCHOOLS AND LIBRARIES

Section

R14-2-B1218. Purpose

R14-2-B1219. Definitions

R14-2-B1220. Availability of State Matching Funds for Special Construction Projects to Deploy
Broadband

R14-2-B1221. Procedures for Requesting State Matching Funds

R14-2-B1222. Administrator Responsibilities; Contributions to and Disbursements from the
AUSF

R14-2-B1223. Discontinuation of E-rate Broadband Special Construction Project Matching Fund
Program

ARTICLE 12. ARIZONA UNIVERSAL SERVICE FUND

R14-2-1201. Definitions Renumbered

~~In this Article, unless the context otherwise requires, the following definitions shall apply:~~

- ~~1. "Administrator" is the person designated pursuant to R14-2-1212 to administer the AUSF and perform the functions required by this Article.~~

2. ~~“Arizona Corporation Commission” or “Commission.” The regulatory agency of the state of Arizona having jurisdiction over public service corporations operating in Arizona.~~
3. ~~“Arizona Universal Service Fund” or “AUSF” is the funding mechanism established by this Article through which surcharges are collected and support paid in accordance with this Article.~~
4. ~~“AUSF Support” is the amount of money, calculated pursuant to this Article, which a provider of basic local telephone exchange service is eligible to receive from the AUSF pursuant to this Article.~~
5. ~~“AUSF Support Area” is the geographic area for which a local exchange carrier’s eligibility to receive AUSF support is calculated.~~
6. ~~“Basic local exchange telephone service” is telephone service that provides the following features:~~
 - a. ~~Access to 1 party residential service with a voice grade line;~~
 - b. ~~Access to touchtone capabilities;~~
 - c. ~~Access to an interexchange carrier;~~
 - d. ~~Access to emergency services, including but not limited to emergency 911;~~
 - e. ~~Access to directory assistance service;~~
 - f. ~~Access to operator service;~~
 - g. ~~Access to a white page or similar directory listing; and~~
 - h. ~~Access to telephone relay systems for the hearing and speech impaired.~~
7. ~~“Benchmark rates” for a telecommunications services provider are those rates approved by the Commission for that provider for basic local exchange telephone service, plus the Customer Access Line Charge approved by the Federal Communications Commission.~~
8. ~~“Commercial Mobile Radio Service” is any radio communication service carried on between mobile stations or receivers and land stations, or by mobile stations communicating among themselves, that is provided for profit and that makes available to the public service that is connected to the public switched network.~~

9. —“Conversion Factor” is a multiplier that is used to convert a quantity of interconnecting trunks for both wireless and wireline customers into equivalent access lines, for the sole purpose of developing Category 1 surcharges. The value of the Conversion Factor shall be 10 until completion of the review provided for in R14-2-1216.
10. —“Interconnecting Trunk” is a 1-way or 2-way voice grade or equivalent voice grade switched message transmission channel furnished by a local switched access provider to a provider of wireless services or to a wireline customer of such local switched access provider to interconnect the provider of wireless services or wireline customer to the public switched network.
11. —“Intermediate Local Exchange Carriers” are incumbent providers of basic local exchange telephone service with more than 20,000 access lines but fewer than 200,000 access lines in Arizona.
12. —“Large Local Exchange Carriers” are incumbent providers of basic local exchange telephone service serving 200,000 or more access lines in Arizona.
13. —“Small Local Exchange Carriers” are incumbent providers of basic local exchange telephone service with 20,000 or fewer access lines in Arizona.
14. —“Total Service Long Run Incremental Cost” is the total additional cost incurred by a telecommunications company to produce the entire quantity of a service, given that the telecommunications company already provides all of its other services. Total Service Long Run Incremental Cost is based on the least cost, most efficient technology that is capable of being implemented at the time the decision to provide the service is made.
15. —“U.S. Census Blocks” are geographic areas defined by the U.S. Department of Commerce. The areas, which define the way in which census data is aggregated, generally contain between 250 and 550 housing units.

R14-2-1202. Calculation of AUSF Support Renumbered

- A. —The amount of AUSF support to which a provider of basic local exchange telephone service is eligible for a given AUSF support area shall be based upon the difference between the benchmark rates for basic local exchange telephone service provided by the

- carrier, and the appropriate cost to provide basic local exchange telephone service as determined by the Commission, net of any universal service support from federal sources.
- B.** — For a small local exchange carrier, the AUSF support area shall include all exchanges served by the local exchange carrier in Arizona. The appropriate cost of providing basic local exchange telephone service for purposes of determining AUSF support for a small local exchange carrier shall be the embedded cost of the incumbent provider. For any request for AUSF support by a small local exchange carrier filed more than three years after the effective date of this Article, the AUSF support area shall be the geographic areas as determined by the Commission.
- C.** — For an intermediate local exchange carrier, the AUSF support area shall be either all exchanges in Arizona served by that carrier, or such other support area as may be approved by the Commission. The appropriate cost of providing basic local exchange telephone service for purposes of determining AUSF support for an intermediate local exchange carrier shall be the embedded cost of the incumbent provider. For any request for AUSF support by an intermediate local exchange carrier filed more than three years after the effective date of this Article, the AUSF support area shall be geographic areas as determined by the Commission, and the appropriate cost of providing basic local exchange telephone service for purposes of determining AUSF support shall be the Total Service Long Run Incremental Cost of the incumbent provider. In the event that the FCC adopts a somewhat different forward looking costing methodology and/or a different geographic study/support area for the Federal universal service fund program, a local exchange carrier may request a waiver from this rule in order to utilize the same cost study methodology and/or geographic study areas in both jurisdictions.
- D.** — For a large local exchange carrier, the AUSF support area shall be U.S. census block groups, and the appropriate cost of providing basic local exchange telephone service for purposes of determining AUSF support shall be the Total Service Long Run Incremental Cost. In the event that the FCC adopts a somewhat different forward looking costing methodology and/or a different geographic study/support area for the Federal universal service fund program, a local exchange carrier may request a waiver from this rule in order to utilize the same cost study methodology and/or geographic study areas in both jurisdictions. Any request for AUSF support by a large local exchange carrier shall

~~include a Total Service Long Run Incremental Cost study, or cost study based on FCC adopted methodology, of basic local exchange service. The cost study shall be developed and presented in a manner that identifies the cost for the individual support areas for which AUSF funding is being requested.~~

R14-2-1203. Request for AUSF Support Renumbered

~~A provider of basic local exchange telephone service may request that the Commission authorize AUSF support with a filing under R14-2-103 or other method as the Commission may prescribe, and upon compliance with all applicable rules set forth in R14-2-1101 through R14-2-1115. A request for AUSF support shall include a statement describing the need for such funding. The Commission shall determine the appropriate cost of providing basic local exchange service for each AUSF support area for which AUSF support is requested and shall calculate in accordance with R14-2-1202 the amount of AUSF support, if any, to which the applicant is entitled.~~

R14-2-1204. Funding of the AUSF Renumbered

- ~~A. — The AUSF shall be funded in accordance with this Article by all telecommunications service providers that interconnect to the public switched network. Within 30 days of the effective date of this Article, and thereafter on or before October 1 of each year, each telecommunications provider shall provide to the Administrator a list of all other telecommunications providers that interconnect to its facilities or network.~~
- ~~B. — The AUSF shall be funded equally by toll and local customers of the providers of telecommunications services, and shall be assessed in the following manner:~~
- ~~1. — Category 1 — Providers of basic local exchange service, as discussed in R14-2-1204(B)(1)(a), and other service providers as required under R14-2-1204(B)(1)(a)(i) or permitted under R14-2-1204(B)(3)(b), shall be considered providers of Category 1 service.~~
 - ~~a. — One half of the AUSF funding requirement will be collected through Category 1 service providers. Category 1 AUSF assessment will be based upon access lines and interconnecting trunks, and assessed by providers of local switched access as either an access line or interconnecting trunk surcharge. The “per access line” surcharge to be in place during a given year will be calculated by the Administrator using the total number of access lines and equivalent access lines deriving from interconnecting~~

~~trunks that were in service for all Category 1 service providers on October 1 of the previous year. Access lines shall include business and residence lines, public access lines, and other identifiable access lines. All wireless providers including but not limited to paging and other Commercial Mobile Radio Service providers, that interconnect to the public-switched network will contribute to the AUSF under the requirements of Category 1. The number of interconnecting trunks obtained from the local access provider by the wireless provider shall be utilized in conjunction with a Conversion Factor to determine AUSF support from such wireless provider by means of a surcharge on such interconnecting trunks. A wireless provider that fails to contribute to the AUSF as required by this Article shall be subject to termination of its interconnection arrangements pursuant to R14-2-1214(C).~~

~~b. On or before November 1 of each year, each Category 1 local-switched access service provider shall provide to the Administrator the number of access lines and number of interconnecting trunks that were in service on October 1 of that year. The Administrator will use these numbers together with the Conversion Factor in calculating the per access line surcharge and per interconnecting trunk surcharge for the following year. The Administrator will multiply the total number of interconnecting trunks by the Conversion Factor to obtain an equivalent number of access lines for the purpose of calculating the surcharges.~~

~~2. Category 2 Providers of intrastate toll service, or other service providers as permitted under R14-2-1204(B)(3), shall be considered providers of Category 2 service and shall be assessed AUSF charges as follows:~~

~~a. One half of the AUSF funding requirement will be collected through Category 2 service providers. The Category 2 AUSF assessment will be based on total Arizona intrastate toll revenue, and assessed as a percent of revenue. The percent of revenue assessment to be in place during a given year will be calculated by the Administrator using the annual Arizona~~

intrastate revenue for all Category 2 service providers for the previous year.

b. ~~On or before November 1 of each year, each Category 2 service provider shall report to the Administrator the total Arizona intrastate revenue collected between August 1 of the current year and August 1 of the previous year. The Administrator will use this revenue so reported to calculate the AUSF assessment rate for the following year.~~

3. ~~New telecommunications service providers.~~

a. ~~Telecommunications providers that begin providing basic local exchange service after the effective date of this Article shall be assessed AUSF charges pursuant to R14-2-1204(B)(1). Telecommunications providers that begin providing toll service after the effective date of this Article shall be assessed AUSF charges pursuant to R14-2-1204(B)(2).~~

b. ~~All other telecommunications service providers that interconnect to the public-switched network and begin providing telecommunications service after the effective date of this Article, shall choose to be considered either a Category 1, Category 2, or both Category 1 and Category 2 service provider. Such election shall be made in writing to the Administrator within 30 days of beginning to provide telecommunications service in Arizona, with a copy to the Director of Utilities. Written concurrence of the Director of Utilities must be received by the Administrator for such selection to be effective. Such selection will be irrevocable for a period of at least three years.~~

4. ~~A telecommunications provider that provides both Category 1 and Category 2 services shall be assessed AUSF charges pursuant to both R14-2-1204(B)(1) and R14-2-1204(B)(2).~~

R14-2-1205. Calculation of Surcharges Renumbered

A. ~~The Administrator will calculate the total AUSF support due all local exchange carriers who have been granted AUSF support by the Commission. Administrative costs and audit fees will be added to this amount. The amount of any excess funds in the AUSF will then be subtracted to determine the total funding requirement. The funding requirements~~

from Category 1 and Category 2 service providers will then be calculated. One half of the funding will be obtained from Category 1 providers through surcharges applied to access lines and interconnecting trunks in service. The other half will be obtained from Category 2 providers through surcharges on intrastate toll revenues.

B. — For the purpose of determining the surcharges, the Administrator will develop growth factors to apply to the total reported access lines and toll revenues. Such growth factors will be calculated at 1/2 of the estimated annual percentage growth in access lines and in toll revenues.

C. — Category 1 Surcharge. One half of the total annual AUSF support approved by the Commission for all eligible recipients will be obtained from Category 1 service providers. A monthly per access line surcharge and a monthly per interconnecting trunk surcharge required to obtain this funding will be calculated as follows:

1. — Adding together the number of access lines and equivalent access lines for all Category 1 service providers, adjusted by the growth factor;
2. — Dividing the total annual AUSF support approved by the Commission for all eligible recipients by 2 to obtain the portion of AUSF support required from Category 1 service providers;
3. — Dividing the amount of Category 1 AUSF support calculated in subsection (C)(2) by the sum of access lines calculated in subsection (C)(1) to yield the per access line surcharge;
4. — Dividing the per access line surcharge calculated in subsection (C)(3) by 12 to determine the monthly access line assessment;
5. — Multiplying the surcharge obtained in subsection (C)(4) by the Conversion Factor to determine the monthly interconnecting trunk surcharge.

D. — Category 2 Surcharge. One half of the total annual AUSF support approved by the Commission for all eligible recipients will be obtained from Category 2 service providers. A percent of revenue surcharge required to obtain this funding will be calculated as follows:

1. — Totaling the annual intrastate toll revenues of all Category 2 service providers, adjusted by the growth factor;

2. ~~Dividing the total AUSF support approved by the Commission for all eligible recipients by 2 to obtain the portion of AUSF support required from Category 2 service providers;~~
 3. ~~Dividing the amount of Category 2 AUSF support requirement calculated in subsection (D)(2) by the total annual intrastate toll revenues calculated in subsection (D)(1) to arrive at a percentage of revenue surcharge.~~
- E. ~~Recipients of lifeline or other low income support shall be exempt from paying a Category 1 surcharge.~~
- R14-2-1206. Implementation Renumbered**
- A. ~~Any provider of telecommunications service may file either an AUSF tariff or price list, if appropriate, establishing a flow-through mechanism to collect the surcharge approved by the Commission and calculated by the Administrator.~~
- B. ~~On or before the 20th day of each month, each Category 1 service provider responsible for collecting AUSF surcharges shall remit to the Administrator the AUSF surcharge, including any surcharge on wireless providers, collected by that provider during the preceding month. The Category 1 provider shall submit such documentation of AUSF revenues from the AUSF surcharge as may be required by the Administrator.~~
- C. ~~On or before the 20th day of each month, each Category 2 service provider responsible for collecting AUSF surcharges shall remit to the Administrator the AUSF surcharge collected by that provider during the third preceding month. The Category 2 provider shall submit such documentation of AUSF revenues from the AUSF surcharge as may be required by the Administrator.~~
- D. ~~Eligible recipients of AUSF support are:~~
1. ~~Providers of telecommunications service engaged in providing basic local exchange telephone service in Arizona which have obtained a Commission order authorizing payments from the AUSF; and~~
 2. ~~Providers that become entitled to AUSF support based upon the provisions of R14-2-1206(E).~~
- E. ~~If the Commission approves AUSF support to a provider of telecommunications service for a defined area, such AUSF support shall also be available to competitive providers of basic local exchange service in the same defined area that are contributing to the AUSF;~~

~~and that are willing to provide service to all customers in the specific AUSF support area as defined by the Commission. The AUSF support to which the competitive provider is eligible shall be calculated on a per customer basis, at the same level at which the incumbent provider of telecommunications service receives AUSF support, and shall not result in an increase in the total AUSF support available for the specific census block groups or study area. If basic exchange service is provided through the resale of another carrier's local loop facilities, AUSF support will only be available to the retail service provider if AUSF support is not included in the wholesale price for the resold local service. This Section shall not apply to small local exchange carriers nor to the universal service support being received by any telecommunications service provider as of the effective date of this Article.~~

~~F. — For small local exchange carriers and for any basic local exchange telephone service provider receiving universal service support as of the effective date of this Article, the AUSF support shall not be available to competitive providers of basic local exchange service prior to completion of the review provided for in R14-2-1216. Following completion of the review, AUSF support provided to small and intermediate local exchange carriers shall be available to all competitive providers of basic local exchange service in the same defined area that are contributing to AUSF, and that are willing to provide service to all customers in the specific geographic study area as defined by the Commission, unless otherwise ordered by the Commission.~~

~~G. — Defined area, study area, geographic area, and support area mean the same area during the first three years of the effective date of this Article. After the first three years, they will still have the same meaning unless otherwise ordered by the Commission.~~

R14-2-1207. Calculation of Monthly Payments and the Associated Collections

Renumbered

~~A. — For the monthly Category 1 AUSF payment, each provider of local switched access shall remit to the Administrator an amount equal to the number of access lines in service on the first day of the month, times the monthly surcharge per access line plus the number of interconnecting trunks in service on the first day of the month, times the monthly interconnecting trunk surcharge.~~

- B.** ~~The monthly AUSF payment that each Category 2 provider shall remit to the Administrator is an amount equal to its monthly intrastate toll revenue times the monthly surcharge percentage.~~
- C.** ~~Payments must be received by the Administrator by the 20th day of each month. If the payment amount is greater than \$10,000, then it shall be wire transferred to the Administrator.~~
- D.** ~~The Administrator shall enter into an appropriate non-disclosure agreement with each telecommunications service provider to assure that information necessary to allocate AUSF funding obligations and to calculate surcharges is reported, maintained, and used in a manner that will protect the confidentiality of company specific data. The Administrator shall not use confidential data for any purpose other than administering the AUSF.~~

R14-2-1208. Monthly AUSF Disbursements Renumbered

- A.** ~~AUSF disbursement shall be made 30 days following the date of AUSF collections.~~
- B.** ~~The Administrator shall not make AUSF support payments to a provider of telecommunications service until the Administrator has received a copy of a Commission decision authorizing the provider to receive such support.~~

R14-2-1209. Procedures for Handling AUSF Rate Changes Renumbered

- A.** ~~Category 1 and Category 2 AUSF surcharges shall be revised when the Commission authorizes new or revised AUSF payments to any provider of telecommunications service. The Administrator shall calculate the new AUSF flow through surcharges in accordance with this Article, which surcharges shall become effective upon the Commission's approval of the new or revised AUSF payments.~~
- B.** ~~An annual calculation to revise AUSF flow through surcharges shall be made by the Administrator on December 1 of each year with an effective date the following January 1. The flow through surcharges shall be calculated so that the total AUSF funding will equal the AUSF revenue requirements, plus administrative costs as well as any corrections and true ups. No later than December 1 of each year, the Administrator shall provide notice to the Commission and all telecommunication service providers who pay into the AUSF of the flow through surcharge rates for the following calendar year.~~

R14-2-1210. ~~Statement of Participation of All Telecommunications Service Providers in the AUSF~~ Renumbered

- ~~A. Within 30 days of the effective date of this Article, each telecommunications service provider shall provide a letter to the Administrator acknowledging that provider's obligation under this Article to pay AUSF surcharges. Failure to provide such a letter shall be grounds for termination after written notice from the Administrator of the provider's interconnection with the public switched network.~~
- ~~B. Any telecommunications service provider which begins providing telecommunications service after the effective date of this Article shall, within 30 days of beginning to provide intrastate service in Arizona, provide a letter to the Administrator acknowledging that provider's obligation under this Article to make monthly payments for the local and/or toll portion, as appropriate, of the AUSF contribution in accordance with this Article. Failure to provide such a letter shall be grounds for denying to the provider interconnection with the public switched network.~~

R14-2-1211. ~~Duties and Responsibilities of the AUSF Administrator~~ Renumbered

The Administrator shall:

- ~~1. Develop, obtain, and, on or before December 15 of each year, file with the Commission such information and documentation as the Administrator deems necessary for the establishment and calculation of the Category 1 and Category 2 surcharges for the succeeding year. Such a filing shall also be made each time the Commission authorizes a change in the AUSF funding requirement.~~
- ~~2. Monitor the AUSF payments of all telecommunications providers.~~
- ~~3. Oversee the billing of AUSF surcharges.~~
- ~~4. Prepare the necessary forms to be used in reporting the AUSF collections and disbursements and maintain monthly records.~~
- ~~5. Coordinate the collection and disbursement of AUSF monies in accordance with this Article.~~
- ~~6. Prepare an annual report that provides a detailed accounting of the AUSF collections and disbursements and that identifies the annual cost of administration. The report shall be filed with the Commission on or before April 15 of each year.~~

7. ~~Monitor procedures for auditing the AUSF collections and disbursements. The audit function shall be performed by an independent outside auditor.~~

R14-2-1212. ~~Interim Administrator Renumbered~~

~~US WEST Communications, Inc., will serve as interim Administrator of the AUSF and will perform the functions detailed herein that are required of the Administrator for a transition period until a private, neutral third party is appointed by the Commission to serve as Administrator of the AUSF. A neutral third party selected through the competitive bid process shall be appointed no later than July 1, 1997.~~

R14-2-1213. ~~Guidelines for Auditing the AUSF Renumbered~~

- A. ~~The AUSF records covering both collections and disbursements shall be audited at the end of the first year following the designation of a third party administrator. The AUSF records will then be audited at least once every other year in the subsequent years of operations.~~
- B. ~~The records shall be examined for accuracy and the existence of effective internal controls to ensure that the AUSF is being administered appropriately and properly.~~
- C. ~~An independent external auditor selected by the Commission shall be utilized to provide an unbiased audit opinion concerning the AUSF administration procedures and controls.~~
- D. ~~Any costs for conducting audits will be deducted from the revenues of the AUSF prior to disbursement of funds.~~

R14-2-1214. ~~Enforcement of Collection of Delinquent AUSF Amounts Renumbered~~

- A. ~~The Administrator shall issue past due notices to each provider of telecommunications service that is 15 days or more delinquent in submitting its AUSF payments to the Administrator. A copy of this notice shall be provided to the Commission.~~
- B. ~~AUSF support payments shall be withheld from any provider of telecommunications service that is delinquent in submitting its AUSF payments to the Administrator. Each provider of telecommunications service will be fully liable for any accrued interest owing on its AUSF contributions that remain unpaid for 30 days. Such delinquent AUSF payments will begin accruing interest at the rate of 1 and 1/2% per month beginning with the 31st day until such amount is paid in full along with all accrued interest.~~
- C. ~~The local switched access service provider shall promptly notify the Commission and the Administrator of the identity of any wireless provider which fails or refuses to pay its~~

~~AUSF surcharge. Such notice shall also be directed to the wireless provider. If the wireless provider has not paid the amount due within 30 days of such notice, the interconnection provider shall terminate the wireless provider's interconnection until the full amount together with all accrued interest, is paid in full (unless the payment is in bonafide dispute and the wireless carrier has paid the undisputed amount).~~

~~D. — Failure by a telecommunications service provider to comply with the provisions of this Article may result in sanctions as determined by the Commission.~~

R14-2-1215. AUSF Annual Report Renumbered

~~A. — On or before April 1 of each year, the Administrator shall file with the Commission an annual report which shall summarize the preceding year activity and contain the following:~~

- ~~1. — A statement of AUSF collections and disbursements.~~
- ~~2. — A record of the total cost of administration of the AUSF.~~
- ~~3. — Audit reports from the audits conducted during the year.~~

~~B. — A copy of the annual report shall be provided to each provider of telecommunications service who contributes to the AUSF.~~

R14-2-1216. Review Process Renumbered

~~A. — Not later than three years from the effective date of this Article, the Commission staff shall initiate a comprehensive review of this Article and shall provide the Commission with recommendations regarding any necessary changes to the Article. Any interested party may also make such recommendations. The Commission shall consider these recommendations in such proceeding as the Commission deems appropriate.~~

~~B. — The costs used to calculate AUSF funding levels for a given provider or AUSF support area shall be reviewed by the Commission at least every three years following the effective date for any authorized AUSF support for the provider or study area. The Commission may reduce the authorized funding level and require that the AUSF surcharge be recalculated on the basis of this review.~~

R14-2-1217. Supersession of Existing USF Mechanism Renumbered

~~The universal service funding mechanism initially approved by the Commission in Decision No. 56639 (September 22, 1989) is superseded by this Article, except that any calculation, contribution or collection of, or entitlement to, universal service fund support approved by the~~

~~Commission prior to the adoption of this Article shall remain in effect until otherwise ordered by the Commission or until the application of this Article leads to a different result.~~

PART A. HIGH COST FUND

~~R14-2-1201.~~ R14-2-A1201. Definitions

In this ~~Article~~ Part, unless the context otherwise requires, the following definitions shall apply:

1. No change
2. No change
3. No change
4. "AUSF Support" is the amount of money, calculated pursuant to this ~~Article~~ Part, which a provider of basic local telephone exchange service is eligible to receive from the AUSF pursuant to this ~~Article~~ Part.
5. No change
6. No change
 - a. No change
 - b. No change
 - c. No change
 - d. No change
 - e. No change
 - f. No change
 - g. No change
 - h. No change
7. No change
8. No change
9. No change
10. No change
11. No change
12. No change
13. No change
14. No change
15. No change

~~R14-2-1202.~~ R14-2-A1202. Calculation of AUSF Support

- A. No change
- B. No change
- C. No change
- D. No change

~~R14-2-1203.~~ R14-2-A1203. Request for AUSF Support

No change

~~R14-2-1204.~~ R14-2-A1204. Funding of the AUSF

- A. No change
- B. No change
 - 1. No change
 - a. No change
 - b. No change
 - 2. No change
 - a. No change
 - b. No change
 - 3. No change
 - a. No change
 - b. No change
 - 4. No change

~~R14-2-1205.~~ R14-2-A1205. Calculation of Surcharges

- A. No change
- B. No change
- C. No change
 - 1. No change
 - 2. No change
 - 3. No change
 - 4. No change
 - 5. No change
- D. No change
 - 1. No change
 - 2. No change

3. No change

E. No change

~~R14-2-1206.~~ R14-2-A1206. Implementation

A. No change

B. No change

C. No change

D. No change

1. No change

2. No change

E. No change

F. No change

G. No change

~~R14-2-1207.~~ R14-2-A1207. Calculation of Monthly Payments and the Associated Collections

A. No change

B. No change

C. No change

D. No change

~~R14-2-1208.~~ R14-2-A1208. Monthly AUSF Disbursements

A. No change

B. No change

~~R14-2-1209.~~ R14-2-A1209. Procedure for Handling AUSF Rate Changes

A. No change

B. No change

~~R14-2-1210.~~ R14-2-A1210. Statement of Participation of All Telecommunications Service Providers in the AUSF

A. No change

B. No change

~~R14-2-1211.~~ R14-2-A1211. Duties and Responsibilities of the AUSF Administrator

No change

1. No change

2. No change
3. No change
4. No change
5. No change
6. No change
7. No change

~~R14-2-1212.~~ R14-2-A1212. Interim Administrator

No change

~~R14-2-1213.~~ R14-2-A1213. Guidelines for Auditing the AUSF

- A. No change
- B. No change
- C. No change
- D. No change

~~R14-2-1214.~~ R14-2-A1214. Enforcement of Collection of Delinquent AUSF Amounts

- A. No change
- B. No change
- C. No change
- D. No change

~~R14-2-1215.~~ R14-2-A1215. AUSF Annual Report

- A. No change
 1. No change
 2. No change
 3. No change
- B. No change

~~R14-2-1216.~~ R14-2-A1216. Review Process

- A. No change
- B. No change

~~R14-2-1217.~~ R14-2-A1217. Supersession of Existing USF Mechanism

No change

PART B. ARIZONA UNIVERSAL SERVICE SUPPORT FOR SCHOOLS AND LIBRARIES

R14-2-B1218. Purpose

The purpose of the E-rate Broadband Special Construction Project Matching Fund Program is to provide state funds for special construction projects involving the deployment of broadband to schools and libraries in Arizona so that Arizona schools and libraries may obtain federal matching funds under the FCC Universal Service Fund's Schools and Libraries Program. This Part shall be interpreted to maximize the availability of internet access to schools and libraries within Arizona and to maximize potential support from the FCC Universal Service Fund's Schools and Libraries Program to fill any connectivity gap in Arizona.

R14-2-B1219. Definitions

In this Part, unless the context otherwise requires, the following definitions shall apply:

1. The definitions contained in 47 CFR 54.500 (October 1, 2016), with no future editions or amendments, which are incorporated by reference; on file with the Commission; and published by and available from the U.S. Government Publishing Office, 732 North Capitol Street, NW, Washington, DC 20401-0001 and at <https://www.gpo.gov/fdsys/>;
2. The definitions in R14-2-A1201, to the extent applicable; and
3. The following definitions:
 - a. "Applicant" is a school, library, consortium, or other eligible entity that requests AUSF funds as provided in this Part.
 - b. "Category 1 services" are services used to connect broadband or internet to eligible locations or that provide basic conduit access to the internet, including "telecommunications services," "telecommunications," and "internet access" as defined in 47 CFR 54.5 (October 1, 2016), with no future editions or amendments, which is incorporated by reference; on file with the Commission; and published by and available from the U.S. Government Publishing Office, 732 North Capitol Street, NW, Washington, DC 20401-0001 and at <https://www.gpo.gov/fdsys/>.
 - c. "Category 2 services" are internal connections services needed to enable high speed broadband connectivity and broadband internal connections components, including local area networks (LAN/WLAN), internal connections components, basic maintenance of internal connections components, and managed internal broadband service.

- d. “Data Transmission Services and Internet Access” is a Category 1 service type that includes broadband connectivity and basic conduit access to the Internet. This does not include charges for content, equipment purchase, or other services beyond basic conduit access to the internet. This service type also covers lit or dark fiber.
- e. “Department of Education” or “DOE” means the Arizona Department of Education.
- f. “Discount rate” means the percentage of cost coverage for an applicant, determined by the FCC for its E-rate Program using the percentage of students eligible for the National School Lunch Program or an equivalent measure of poverty, and the rural or urban status of the school district or library system as determined by the U.S. Census Bureau.
- g. “Eligible provider” means a provider that has a 498 ID, also known as a Service Provider Identification Number or SPIN, obtained by filing an FCC Form 498.
- h. “Eligible special construction” or “ESC” refers to special construction projects for Category 1 services that deploy new fiber or upgraded facilities to locations eligible for the E-rate Program. ESC may also include non-fiber based services.
- i. “E-rate Broadband Special Construction Project Matching Fund” is the fund in Arizona that will make available to applicants matching state funds for Category 1 special construction costs in order to obtain up to an additional 10 percent discount from the federal universal fund.
- j. “E-rate Modernization Orders” are the FCC Orders that have modernized the FCC’s E-rate Program and have maximized schools’ and libraries’ options for purchasing affordable high-speed broadband connectivity: *Modernizing the E-Rate Program for Schools and Libraries, Connect America Fund*, WC Docket No. 13-184, *Report and Order and Further Notice of Proposed Rulemaking*, 29 FCC Rcd 8870 (2014); and *Second Report and Order and Order on Reconsideration*, 29 FCC Rcd. 15538 (2014).

- k. “E-rate Program” is an FCC program that provides discounts to schools and libraries for eligible products and services.
- l. “FCC Form 470” is the Description of Services Requested and Certification Form that schools and libraries complete to request services and establish eligibility.
- m. “FCC Form 471” is the Services Ordered and Certification Form that schools and libraries use to report services ordered and discounts requested for those services.
- n. “Federal Communications Commission” or “FCC” is the U.S. government agency that regulates interstate and international communications and oversees the federal universal service fund.
- o. “Funding Commitment Decision Letter” or “FCDL” is a letter from USAC to the applicant which contains USAC’s funding decisions on the applicant’s funding requests.
- p. “Funding Year” or “FY” is a 12-month period during which program support is being provided, beginning on July 1 and ending on June 30 of the following calendar year.
- q. “Second E-rate Modernization Order” is the FCC Order that modernized the FCC’s E-rate Program and provided for additional discounts when states match funds for high-speed broadband connections: *Modernizing the E-Rate Program for Schools and Libraries, Connect America Fund, WC Docket No. 13-184, Second Report and Order and Order on Reconsideration*, 29 FCC Rcd 15538 (2014).
- r. “Special Construction Charges” are the upfront, non-recurring costs of ESC installations or upgrades, consisting of three components:
 - i. Construction of network facilities,
 - ii. Design and engineering, and
 - iii. Project management.
- s. “Staff designee” is the Director of the Commission’s Utilities Division or another individual that the Commission assigns to perform duties under this Part.

- t. “Universal Service Administrative Company” or “USAC” is an independent, not-for-profit corporation created by the FCC in 1997 to administer the four universal service programs including universal service for schools and libraries.
- u. “Urban” means an individual school or library that is located in an “Urbanized Area” or “Urban Cluster” with a population of 25,000 or more as determined by the U.S. Census Bureau. All other schools or libraries are designated as “rural.”
- v. “Vendor” is the entity that has been selected by the applicant and whose bid USAC has recognized in a FCDL to the applicant.

R14-2-B1220. Availability of State Matching Funds for Special Construction Projects to Deploy Broadband

- A. Applications for AUSF funds for E-rate matching purposes shall be limited to E-rate funding years 2017 and 2018.
- B. An applicant certified by the Department of Education shall be eligible to receive AUSF funds to cover special construction charges to the extent necessary to qualify the applicant to receive additional federal universal service funds of up to 10 percent of special construction charges as authorized by the Second E-rate Modernization Order.
- C. An applicant may not receive total support from the federal Universal Service Fund and AUSF in excess of 100 percent of special construction charges.
- D. Schools and libraries that elect to self-provision shall comply with all of the requirements set forth by the FCC in the Second E-rate Modernization Order.
- E. An ESC shall provide bandwidth sufficient to meet the minimum recommended bandwidth per student or the minimum recommended bandwidth for educational services established for the relevant funding year by the FCC and, without good cause, shall not exceed those standards.
- F. If the E-rate Program discount rate and additional match plus the AUSF funds received by an applicant do not cover 100 percent of the special construction charges, the applicant may include in its request filed with the DOE a request for additional AUSF funds. Additional AUSF funds requested under this subsection shall be awarded as follows:

1. Applicants with 80 percent or higher E-rate Program discount rates shall be awarded AUSF funds before applicants with lower discount rates; and
2. Applicants with discount rates between 60 and 80 percent may request additional AUSF funds for the uncovered amount, up to 50 percent of the uncovered special construction charges. Amounts requested above 50 percent of the uncovered special construction charges will not be considered without good cause shown by the applicant.

R14-2-B1221. Procedures for Requesting State Matching Funds

- A. An applicant shall file a request for state matching funds with the Department of Education, prior to submitting its FCC Form 471 to USAC.
- B. If an applicant meets all FCC eligibility requirements for its ESC, the applicant shall obtain a certification letter along with a letter from the Department of Education stating that the applicant is being awarded state matching funds.
- C. An applicant shall provide the Staff designee a copy of the certification letter and letter awarding state matching funds to it issued by the Department of Education and shall include a copy of the letter awarding state matching funds with its FCC Form 471 sent to USAC.
- D. Once USAC determines an applicant's eligibility for federal matching funds and issues a FCDL, the applicant shall notify the Department of Education and request that the Department of Education submit a letter to the Staff designee and the Administrator indicating that USAC has issued a FCDL to the applicant with an award of federal funds and including any other information relevant to the award in that particular case.
- E. Disbursement of AUSF funds shall be available for a period of up to five years after USAC has issued a FCDL to the applicant with an award of federal funds, notwithstanding R14-2-B1220(A).
- F. If USAC reduces or rescinds an applicant's award of federal matching funds following an audit, investigation, enforcement action, or consent decree, the applicant shall immediately notify the Department of Education and the Staff designee and shall reimburse the AUSF fund for any amount by which the AUSF funds received exceeded the federal matching funds award retained.

R14-2-B1222. Administrator Responsibilities; Contributions to and Disbursements from the AUSF

- A.** The Administrator shall be responsible for administering the E-rate Broadband Special Construction Project Matching Fund Program and, in doing so, shall comply with R14-2-A1211 and R14-2-A1214.
- B.** The Administrator shall:
1. Determine the surcharge rates to fund the E-rate Broadband Special Construction Project Matching Fund Program, subject to Commission approval;
 2. Obtain surcharge collections; and
 3. Make disbursements from the AUSF for state matching funds as authorized by the Department of Education and the Commission or its Staff designee, as provided in this Section.
- C.** The increase to the existing surcharge to fund the E-rate Broadband Special Construction Project Matching Fund Program shall be separately calculated and implemented in accordance with R14-2-A1204, R14-2-A1205(B) through (E), R14-2-A1206 (A) through (C), and R14-2-A1207.
- D.** E-rate Broadband Special Construction Project Matching Fund Program surcharges shall not be collected for a period longer than 12 months unless the surcharge collections from carriers in that 12-month period do not produce \$8 million in total funding. If the amount collected is less than the \$8 million cap, the increase in the AUSF surcharge for this Program shall continue until the \$8 million cap is reached. If the collections produce more than \$8 million in the 12-month period, the Commission Staff shall make a recommendation to the Commission regarding the disposition of the over-collected funds.
- E.** A telecommunications service provider may collect the E-rate Broadband Special Construction Project Matching Fund Program surcharges from its customers in any manner it reasonably determines to be best for its business and its customers, but shall not in the aggregate collect more than that authorized by the Commission. The telecommunications service providers shall report and submit payment of assessments according to the schedule established by the Administrator.
- F.** Within 30 days from the effective date of these rules, each telecommunications service provider that interconnects to the public switched network shall provide a letter to the

Administrator acknowledging the telecommunications service provider's obligation to pay the new E-rate Broadband Special Construction Project Matching Fund Program surcharges authorized in this Part. Failure to provide such a letter may be grounds for denying the service provider interconnection with the public switched network, upon notice and opportunity to be heard before the Commission.

G. An applicant shall:

1. After accepting an eligible provider's bid for an ESC, notify within 15 days the Department of Education and the Administrator of the bid amount accepted so that the Administrator may allocate funds for the ESC; and
2. After the vendor completes the project, submit to the Department of Education and Administrator a request for disbursement of the funds allocated for the ESC.

H. The Administrator shall disburse AUSF funds allocated for an applicant's ESC upon approval from the Commission or its Staff designee.

R14-2-B1223. Discontinuation of E-rate Broadband Special Construction Project Matching Fund Program

- A. No applications for the E-rate Broadband Special Construction Project Matching Fund Program shall be accepted after the 2018 E-rate FY procurement cycle.**
- B. Except as provided in subsection (C), the E-rate Broadband Special Construction Project Matching Fund Program shall be discontinued when all of the funds have been collected and all of the funds collected have been disbursed.**
- C. The E-rate Broadband Special Construction Project Matching Fund Program may be discontinued earlier or later than specified in subsection (B) if required by the FCC or USAC.**